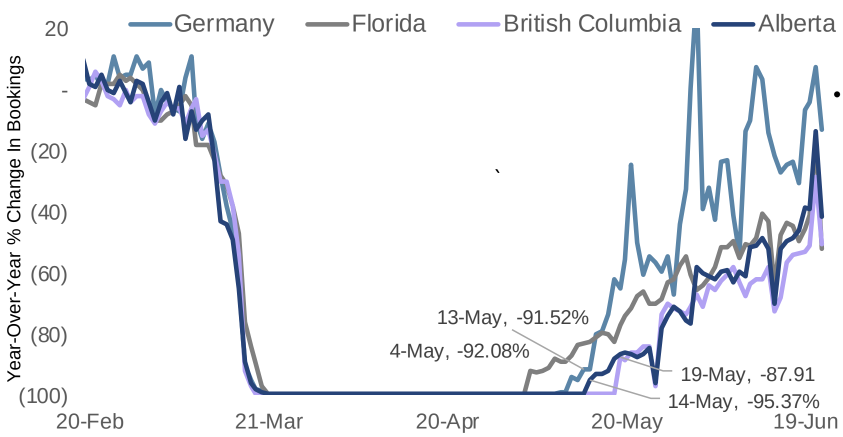
The Restaurant Rebound

Welcome to the Restaurant Rebound, a bi-weekly report on the industry's recovery, providing an analysis of recent OpenTable booking data, news, and first-hand perspectives on the sector. In this issue Jeff Clark, President of Kitchen Partners, the "kitchen behind the kitchen" for many of Canada's largest restaurant chains and retailers, shares his insights and outlook as restaurants reopen across the county.

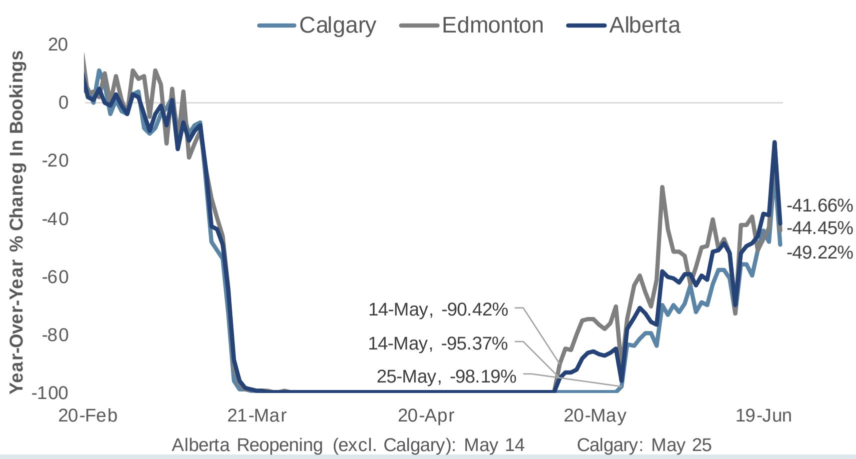


All

- All four jurisdictions saw a spike in activity for Father's Day which, for OpenTable YoY purposes, was the prior week in 2019. Outlier activity aside, Germany continued its strong recovery, rebounding from -42.7% (relative to last year) to -13% since June 4. Florida showed the slowest recovery, with reservations increasing from -58% to -52% over the same period. Given the recent spike in COVID-19 cases in the state, these results did not come as a surprise.

Alberta

- Calgary gained ground over the past two weeks, making up for its later reopening date. As of June 22, Calgary reservations were at -49.2% (relative to last year), up from -72.6% on June 4. Edmonton experienced smaller gains over the same period, rebounding from -51.5% to -44.5%.
- Province-wide, reservations levels have rebounded to -41.6% from -62.2% since Jun 4.



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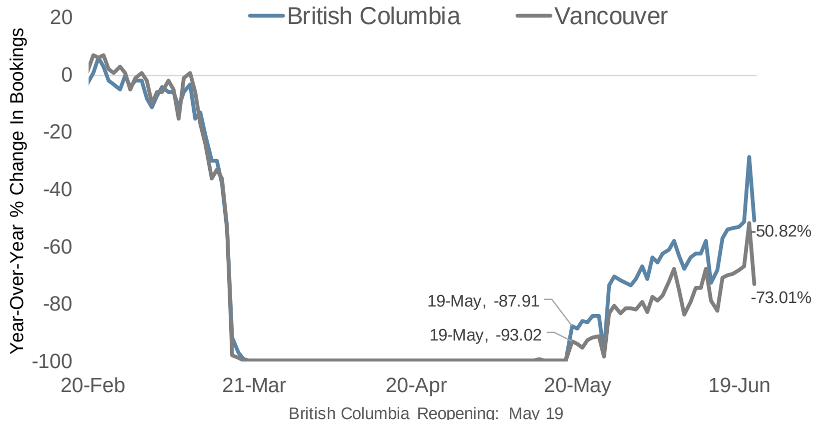
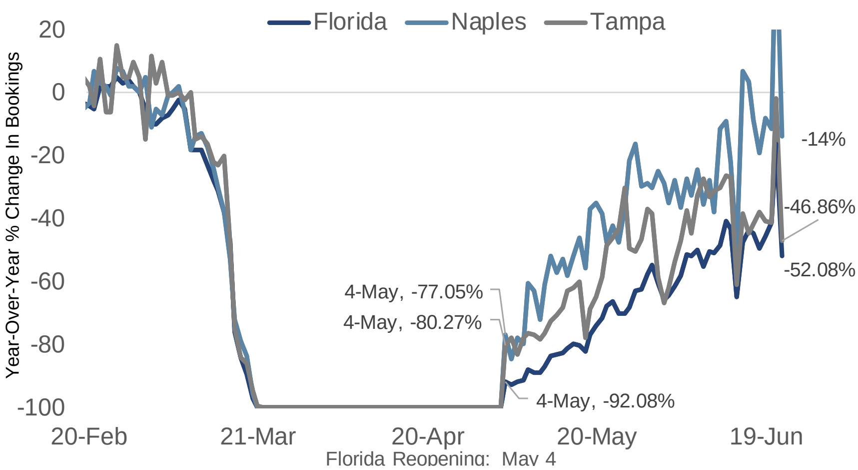
British Columbia

- BC continues its recovery, with reservations at -50.8% as of June 22, up from -65.5% on June 4.
- Vancouver's sluggish rebound continues to lag the province's, with reservations at -73%, up from -79% on June 4.



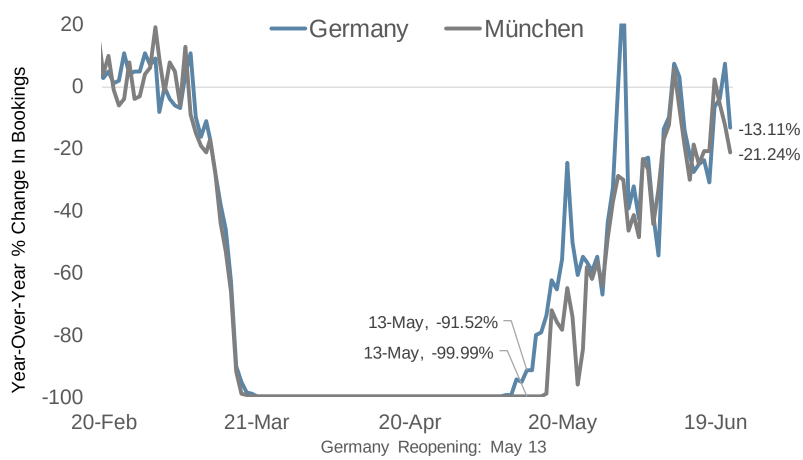


Florida

- Most recent numbers for Florida suggest that the recovery may be slowed by the current spike in COVID-19 cases.
- Consistent with our last report, however, Naples continues to soar above the state-wide recovery, at -14% on June 22, up from -36.5% on June 4. Tampa, on the other hand, has seen little change since our last report, with numbers dropping off over the past week.

Germany

- Despite recent localized COVID-19 outbreaks in Germany, restaurant reservations have continued to recover more rapidly than in our North American jurisdictions.
- Since its reopening, Germany has seen a remarkable rebound. As of June 22, as noted, Germany's bookings were at -13% relative to last year, up from -42.8% on June 4. Worthy of note: Father's Day reservations were 7.3% **above** last year's levels. with a few preceding days spiking higher as well.



COVID-19 Impacts on the Food Service Industry

Jeff Clark, President, Kitchen Partners

Kitchen Partners is the "kitchen behind the kitchen" for many of Canada's largest restaurant chains and retailers. The company prides itself on providing high quality, custom prepared stirred food products to its food service customers across Canada.

OMP: Tell us about the early weeks of the shutdown?

Jeff Clark: Our business is dedicated 100% to food service and pre-shutdown, we had been growing like crazy. Up until early March, we were producing 6 days a week, 24 hours a day to meet the growing demand from our customers. When the industry abruptly shut down in March, business dropped off a cliff. At the same time, ingredients in our supply chain, like cream and protein, were inbound. We were not in a position - nor did we think it fair - to cancel those purchase orders, so we continued producing for a couple of weeks, making frozen products from the inbound ingredients. That was an extremely challenging time for all of us at Kitchen Partners, but our team successfully rallied and overcome some significant obstacles.

OMP: Have things improved since then?

JC: Since those early weeks, we've been successfully climbing our way back. In April, our business was down 90%, but by the end of June, we should see business rebound to 70-80% of pre-COVID levels. Much of our early recovery was driven by the fantastic takeaway and delivery efforts of our restaurant customers and some exciting new initiatives we implemented with our retail food service customers. We have also been actively working on business development, signing on some new customers in the last few weeks.

OMP: What are you hearing from your restaurant customers?

JC: For context, our restaurant customers are multi-unit chain operators. Many of these customers have invested heavily in their takeaway and delivery business, and were able to generate 20-40% or more of their pre-COVID revenues during the shutdown. They were immediately ready to go when the restrictions were eased and have aggressively worked to rebuild their businesses since that time. We understand that much of the takeaway and delivery business has been retained subsequent to dine-in reopening, so even in markets with 50% capacity restrictions, many of our customers are approaching 60-70% of their pre-COVID revenues. We also have a few customers whose business is actually ahead of last year, an amazing accomplishment.

OMP: In your view, what will define success as restaurants reopen?

JC: It will be critical to make customers feel safe. Operators that are well organized and are communicating clearly with customers about safety and service expectations are going to do better in this period of uncertainty.

I believe that the larger restaurant chains have an advantage here: they have the resources to design a reopening program, develop effective and attractive point of sale material, and train their staff on the reopening and operating protocols. Some of the independent operators are doing a great job, but unfortunately, they often do not have the capacity and resources to create the same experience, and are working hard to just survive.

OMP: We're hearing that because of high overhead costs, operating at 60-70% is not viable for many operators. What is your take?

JC: I believe that is true, and as a result, many restaurant operators are heavily dependent on the wage subsidy program. Some are quite concerned about going through the 70% threshold and becoming ineligible, as it will be very difficult for them to operate at or within a range above that threshold without the wage subsidy. This is largely dependent on what format restaurant they operate, and what their overhead cost structures look like. For example, full service restaurants will be more challenged relative to the QSRs, given their larger footprints and higher overhead costs.

OMP: You're optimistic about the restaurant recovery. What is fueling your optimism?

JC: We're seeing many restaurant operators, our clients included, coming up with creative, interesting initiatives including groceries and chef's meal kits, as well as really embracing takeout and delivery as a revenue stream. In this environment, consumers are giving tremendous latitude to restaurants to go beyond traditional approaches. They're looking to restaurants for great meal experiences that are convenient, safely prepared and delivered, whether at home or in a restaurant setting.

Ultimately, we're social creatures and we want to be out and about. Travel, concerts, and other leisure time activities we typically enjoy will be severely limited for the foreseeable future. The restaurant experience is one indulgence that we are still be able to enjoy. I believe that progressive restaurant operators will be taking advantage of this opportunity in the months ahead.

Food Services in the News

- As a Toronto-based firm, we are particularly excited about this announcement: Toronto and Peel region restaurants are joining most of Ontario (excluding Windsor-Essex) in reopening for patio dining on June 24. Toronto restaurants can apply for new or extended patio space through the city's CaféTO program.

- While countless food service workers have been laid off through the pandemic, fast food restaurants are hiring. Recent announcements come from Subway, who plans to hire 50,000 workers across North America, and McDonalds, who will hire 260,000 workers in the US this summer.

- According to Bloomberg News, creditors to CEC Entertainment Inc., the parent company of Chuck E. Cheese and Peter Piper Pizza, are weighing restructuring options including bankruptcy as the company seeks to get through the pandemic that has shuttered its hundreds of locations.

The food delivery business continues to grab headlines:

- Instacart recently raised $225 million in new venture funding, taking its valuation up to $13.7 billion, a 74% valuation step-up from its prior round according to PitchBook
- Door Dash raised $400 million at a nearly $16 billion valuation, a 23% increase over its prior round in November, according to PitchBook. Durable Capital Partners and Fidelity Management co-led the round, with T. Rowe Price and existing investors participating.
- Just Eat Takeaway will acquire Grubhub in a deal estimated at $7.3 billion.

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