

## Weekly Briefing Report

Week ending 24 May 2020

Published 25 May 2020

### Introduction

I have been publishing The Quarterly Briefing Report since 2009. Two months ago, I started producing [The Weekly Briefing Report](#) to provide a more immediate view

I would value your feedback on topics you would particularly like me to add to my coverage - my email address is [peter@peterbackmanfs.com](mailto:peter@peterbackmanfs.com) and my phone number is 07785 242809.

### My insight

Publicly quoted players in the foodservice sector – ranging from international operators such as Compass and Whitbread, to UK-focused Restaurant Group – have been increasing their cash reserves either through equity raises or increased banking facilities over the last few weeks and are reasonably well placed to withstand some really rocky times ahead.

But most operators are not so well placed. Last week for instance, Casual Dining Group announced that Alix Partners has been retained to explore future options, and in doing so they are joining a growing list of companies that are showing signs of distress, or worse.

Three weeks ago, in my Weekly Briefing Report, I set out some moments of truth for operators in the foodservice sector and I pointed out that the end of June will see the first of these. This is when rents are due. Landlords, by and large, have had to accept that most rent was not paid at last quarter day at the end of March and they are now treating the unpaid rent as debt. And they will probably have to accept the same at the end of June. But how will restaurants – large and small – view this steady build-up of debt on their balance sheets? Coupled with that, we now know that the Coronavirus Job Retention Scheme – the employee furlough scheme – will be extended to October but from July / August it will require a contribution from the employer – 25% of employees' wages are being talked of. How will owners of operations that are closed – or open for takeaway and delivery but not covering their costs – react to this additional cost that is due to be paid every month?

For many operators, I suspect these twin pressures (alongside all the others they are currently facing), will prove insurmountable. And we will see a slew of announcements of bankruptcies or more orderly liquidations over the next few weeks.

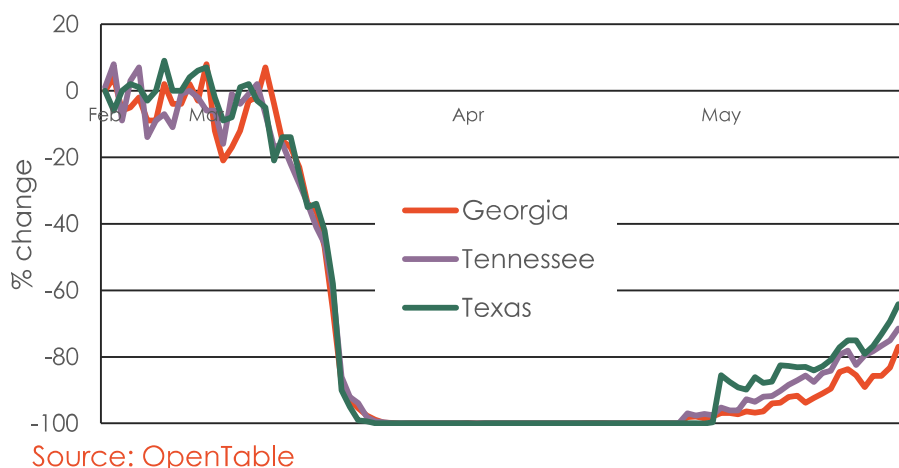
The second moment of truth that I talked about will arise when operators are faced with opening their restaurants, bars, and pubs. There are major dangers here too and I will address them in the coming weeks.

## The numbers

The FT published some revealing numbers last week: Covid-19 has, so far, claimed almost 350,000 lives globally. That compares with Mers (850 lives), Sars (774), Ebola (11,235), and the 2009 Swine flu epidemic (200,000). On the other hand, Hong Kong flu (1968), Asian flu (1957) and Russian flu (1889) each claimed about 1 million lives. Shocking as these are, they pale into insignificance when set alongside the estimated 50 million deaths of the Spanish flu of 1918. Bear in mind, the global population was only 1.8 billion in 1918 and since then it has grown 4.3 times as large – so you can argue that in today’s terms, Spanish flu killed over 200 million people.

It is against that fearful number that we must balance the impact of the lockdown measures that have been instituted around the world. Are they worth bearing for the sake of 200 million lives? We don’t know if this is a reasonable comparison – but it might be.

### Restaurant activity when emerging from lockdown - selected US states



And at a different level, OpenTable has published some information which might give some steer regarding activity after restaurants reopen. The chart alongside shows activity for 3 US states; Georgia (reopened 20 April), Tennessee (27 April) and Texas (30 April). These figures suggest that activity reaches 20-40% of pre-lockdown levels after a month – but they do not show what happens thereafter. For now, I would

treat these figures as an example of what might happen – there are too many unknowns to be more definitive.

In the meantime, this is a summary of the activity in the last week being recorded by those trackers that still cover the sector:

	May							
	18	19	20	21	22	23	24	Metric
Huq Index	4.3	3.5	3.5	3.5	2.3	3.0		Footfall vs 1 Jan 2020 = 100
Open Table	-99.4%	-98.9%	-99.0%	-98.6%	-98.9%	-98.0%		YoY % change in bookings

The remainder of this Weekly Briefing Report contains a summary of financial, legal, and corporate activity in the past week.

## Financial / Legal

- Average working hours fell from 32 per week at end March to 25 hours per week at end April
- Congestion charge in London to be increased to £15 per day, hours of operation increased to between 07:00 and 22:00 every day from 22 June
- Eight million workers received £11.1 billion through the Coronavirus Job Retention
- Inflation in April fell to 0.8%
- MoD "Covid Support Force" of 20,000 personnel to be scaled back
- ONS research revealed 0.25% of the population had Covid-19 between 4 and 17 May
- Scottish government plans four phase reopening – restaurants / pubs with outdoor spaces to reopen in the second phase, without outdoor spaces to reopen in phase three
- The claimant count rose by almost 0.9 million to reach 2.09 million at the end of March
- The Government has received more than 2 million claims for grants from the self employed
- The number of job vacancies fell 170,000, and is now at its lowest since 2014
- Total hours worked per week in the January-to-March period fell by 12.4 million versus the same period in 2019
- Unemployment rate fell to 3.9 per cent in January-to-March period

## Retail

- Marks & Spencer reopened 49 cafes for takeaway hot drinks
- Ocado Retail revenue increased 40.4% in the March / April period

## Foodservice

- Over a third of people employed in restaurants and other sectors that are shutdown are men under the age of 25
- Press speculates that pubs, bars, restaurants with outdoor seating may be allowed to reopen in June
- Winding-up petitions were issued against 53 restaurants, an increase of 165%, in the first 13 weeks of 2020

## Restaurants

- Bone Daddies reopened 2 sites
- Boparan Restaurant Group acquired 30 Carluccio's sites
- Breakfast Club reopened 1 site
- Cafe Murano reopened for delivery and take away
- Casual Dining Group announced it is to appoint advisors to plan a way forward for the company
- Corbin & King revealed purchases of advance meal vouchers will permit paying 80% of wages in May
- Deep Blue reopened 3 Harry Ramsden sites for takeaway
- Gourmet Burger Kitchen reopened 3 sites
- House Café Company opened its Titchfield Street site as a general store offering delivery

- Las Iguanas joined Feed Our Frontline to provide 1,800 hot meals a week to Birmingham NHS workers at the Birmingham
- MeatLiquor reopened 2 sites
- Nando's added click and collect to 32 of its reopened delivery sites
- Nando's reopened 5 sites for click and collect
- Open House London partnered with Hospitality for Heroes to supply more than 7,700 meals to NHS hospitals
- Patty & Bun burger kit expanded to nationwide delivery
- Paul UK expands click and collect to all reopened sites
- Restaurant Group capex is expected to fall -63% this year
- Slim Chickens reopened 2 sites
- The Coconut Tree reopened a site
- Tortilla reopened 3 sites
- Wagamama reopened 24 sites for delivery

## QSR

- McDonald's reopened 23 UK sites for drive-thru – sales limited to £25 per car
- 200 Degrees reopened a site
- Caffè Nero reopened 19 sites
- Caffè Nero started delivery via UberEats
- Chipotle increased options for customising meal size and choice
- Cosmo reopened a delivery and takeaway site in Derby site
- Costa reopened 75 drive thru sites
- Five Guys reopened 12 sites
- Grind reopened one site for take away
- KFC reopened 16 sites for takeaway
- KFC reopened 360 sites in the UK for delivery only
- McDonald's reopened 15 sites for delivery
- Millie's Cookies, SSP UK, Delice de France, Electrolux Professional, the Food Show have supplied 100,000 cookies to NHS workers in London and South East
- Moto reopened 6 Costa drive thrus
- Moto reopened 8 Burger King sites for takeaway for HGV drivers
- Pho reopened 3 sites
- Soho Coffee Co reopened 2 sites for take away
- Taco Bell reopened 12 sites
- The Sea, The Sea seafood bar retail income has trebled to replace all its lost dine-in revenue

## Pubs

- Anglian Country Inns reopened 2 pubs and coffee shop for take away
- Fuller's argues for a one metre social distancing rule
- Greene King launched delivery and takeaway from 10 pubs in the Metropolitan Pub Company
- JD Wetherspoon capex is expected to fall -63% this year
- Marston's capex is expected to fall -59% this year
- Mitchells & Butlers capex is expected to fall -16% this year

- North Brewing Co reopened four sites as take away bottle shops

## **Hotels**

- Coal Exchange hotel, part of Signature Living, appointed administrators
- UK hotel revpar declined between -80% and -90% daily in week ending 10 May

## **Leisure**

- easyJet expects to restart some flights in mid-June
- Manchester United has said Covid-19 has cost the club about £28 million so far
- Premier League clubs restarted training
- Qantas to offer normal operations from June without social distancing
- Ryanair expects tourist flights within the EU could restart in July or August

## **Staff Feeding**

- About 44% of Compass' business was shut because of lockdowns

## **Education**

- Reception, Year 1, and Year 6 primary school classes in England are set to return on 2 June
- Cambridge University lectures to be online only until 2021-22 academic year

## **Delivery**

- Deliveroo started delivering groceries for Aldi UK
- Deliveroo, German Doner Kebab, Creams and 200 other restaurants supplied iftar meals to Muslim households during Ramadan

## **Around the World**

- Czech restaurants and bars to reopen on 25 May
- Denmark reopened cafes, restaurants, and bars
- Illinois, Michigan, New Jersey are the only US states with full lockdown
- India restaurants allowed to do takeaway
- Portugal hopes to open tourist beaches in June
- South Carolina, Maine restaurants will reopen
- Spain hopes to open tourist beaches in June

