COVID-19 Foodservice Insights

KAGOME

July 2020

Foodservice Forecast

FOODSERVICE FORECASTS

Forecast Scenarios

Given the fluidity of the COVID-19 situation and almost impossible nature of predicting the ultimate path, Technomic has developed three scenarios from which it has developed its forecasts for 2020 and 2021.

	Best Case	Worst Case	Middle Case
2020	• Lifting of shelter-in-place orders begin lifting in mid-Q2, with rolling regional economic reopening shortly thereafter • Dine-in reopenings begin in mid-Q2, with majority reopened by end of quarter • Recession assumed for the second half of 2020 • Local reactivation of shelter-in-place orders as limited virus resurgence returns	• Most shelter-in-place orders exist through into early Q3, with majority of dine-in operations not reopening until Q3 • Dine-in capacity limits continue through the end of the year • Deeper recession assumed, with unemployment declines through 2020 • More widespread virus resurgence requires regional shelter-in-place mandates throughout the year • Large-scale events and gatherings will be mostly be suspended for remainder of the year	Midpoint of Best Case and Worst Case
2021	• COVID-19 vaccine and effective therapies developed and/or herd immunity established and made available early in the year • Strong year-over-year economic growth returns in Q2 • Unemployment abating	• Medical advances not made or available until later in year • Episodic returns to shelter-in-place mandates in newly reinfected areas • Weak economic growth • Continued high unemployment	

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2020 INDUSTRY OUTLOOK BY SCENARIO

- **Industry year-over-year change varies based on scenario, and ranges from -17.7% to -27.0% in 2020 to +12.1% to 20.5% in 2021.**
- **Overall, the segments with the best prospects over the next two years are senior living, long-term care, fast casual, corrections and military.**

	2020 CHANGE SCENARIOS						2021 CHANGE SCENARIOS						2019-2021 COMPOUNDED ANNUAL GROWTH RATE					
	Nominal			Real			Nominal			Real			Nominal			Real		
	Middle Case	Best Case	Worst Case	Middle Case	Best Case	Worst Case	Middle Case	Best Case	Worst Case	Middle Case	Best Case	Worst Case	Middle Case	Best Case	Worst Case	Middle Case	Best Case	Worst Case
Total Restaurants and Bars	**-19.0%**	-14.1%	-23.9%	**-21.2%**	-16.5%	-25.9%	**12.8%**	16.8%	8.9%	**10.1%**	13.9%	6.3%	**-4.4%**	0.2%	-8.9%	**-6.9%**	-2.4%	-11.3%
Limited-Service Restaurants	**(7.7)**	(4.4)	(10.9)	**(10.2)**	(7.0)	(13.3)	**7.1**	10.2	4.1	**4.5**	7.5	1.6	**(0.6)**	2.6	(3.7)	**(3.1)**	(0.0)	(6.2)
Fast Casual	**(8.1)**	(4.1)	(12.1)	**(10.6)**	(6.7)	(14.5)	**10.4**	15.6	5.3	**7.7**	12.8	2.7	**0.7**	5.3	(3.8)	**(1.9)**	2.6	(6.3)
Fast Food/Quick Service	**(7.6)**	(4.5)	(10.6)	**(10.1)**	(7.1)	(13.0)	**6.3**	8.9	3.8	**3.7**	6.2	1.3	**(0.9)**	2.0	(3.6)	**(3.4)**	(0.7)	(6.1)
Full-Service Restaurants	**(33.7)**	(26.6)	(40.8)	**(35.5)**	(28.6)	(42.4)	**23.1**	27.9	18.2	**20.1**	24.8	15.3	**(9.7)**	(3.1)	(16.3)	**(12.0)**	(5.6)	(18.5)
Midscale	**(36.7)**	(30.1)	(43.3)	**(38.4)**	(32.0)	(44.8)	**27.0**	31.8	22.1	**23.9**	28.6	19.1	**(10.3)**	(4.0)	(16.8)	**(12.6)**	(6.5)	(18.9)
Casual Dining	**(31.1)**	(23.7)	(38.5)	**(33.0)**	(25.8)	(40.2)	**20.7**	25.7	15.8	**17.8**	22.6	13.0	**(8.8)**	(2.1)	(15.6)	**(11.2)**	(4.6)	(17.8)
Fine Dining	**(46.0)**	(40.3)	(51.8)	**(47.5)**	(41.9)	(53.1)	**34.4**	38.7	30.1	**31.1**	35.3	26.9	**(14.8)**	(9.0)	(20.8)	**(17.0)**	(11.3)	(22.9)
Bars and Taverns[1]	**(41.3)**	(36.0)	(46.6)	**(42.9)**	(37.7)	(48.1)	**34.0**	38.4	29.6	**30.7**	35.0	26.4	**(11.3)**	(5.9)	(16.9)	**(13.6)**	(8.3)	(19.0)
Retailers	**-16.2%**	-13.2%	-19.3%	**-18.5%**	-15.5%	-21.5%	**14.0%**	17.0%	11.0%	**11.2%**	14.2%	8.3%	**-2.3%**	0.8%	-5.3%	**-4.8%**	-1.8%	-7.8%
Supermarket Foodservice	**(14.7)**	(10.7)	(18.6)	**(17.0)**	(13.1)	(20.8)	**17.1**	21.7	12.4	**14.2**	18.7	9.7	**(0.1)**	4.3	(4.3)	**(2.6)**	1.6	(6.8)
Convenience Stores	**(16.8)**	(14.7)	(19.1)	**(19.1)**	(17.0)	(21.3)	**11.9**	13.5	10.4	**9.2**	10.7	7.7	**(3.5)**	(1.6)	(5.5)	**(6.0)**	(4.1)	(7.9)
All Other Retailers	**(19.2)**	(17.1)	(21.4)	**(21.4)**	(19.4)	(23.5)	**9.2**	10.1	8.1	**6.5**	7.4	5.5	**(6.1)**	(4.5)	(7.8)	**(8.5)**	(7.0)	(10.2)
Travel & Leisure	**-49.4%**	-45.0%	-53.9%	**-50.8%**	-46.4%	-55.1%	**36.5%**	39.8%	33.2%	**33.4%**	36.6%	30.1%	**-16.9%**	-12.3%	-21.7%	**-19.0%**	-14.5%	-23.6%
Recreation	**(42.6)**	(38.1)	(47.2)	**(44.2)**	(39.8)	(48.6)	**23.8**	26.4	21.4	**20.8**	23.3	18.4	**(15.7)**	(11.6)	(19.9)	**(17.9)**	(13.8)	(22.0)
Lodging	**(52.4)**	(47.7)	(57.2)	**(53.7)**	(49.1)	(58.4)	**36.8**	40.1	33.5	**33.5**	36.7	30.2	**(19.3)**	(14.4)	(24.5)	**(21.4)**	(16.6)	(26.4)
Transportation[2]	**(60.5)**	(56.9)	(64.2)	**(61.3)**	(57.7)	(64.9)	**69.1**	73.4	64.9	**66.6**	70.8	62.5	**(18.3)**	(13.5)	(23.2)	**(19.7)**	(15.0)	(24.5)
Caterers	**(37.4)**	(33.6)	(41.3)	**(39.1)**	(35.4)	(42.9)	**34.0**	37.5	30.4	**30.7**	34.1	27.2	**(8.4)**	(4.5)	(12.5)	**(10.8)**	(6.9)	(14.8)
Noncommercial	**-21.3%**	-16.6%	-26.0%	**-23.0%**	-18.4%	-27.5%	**23.2%**	29.7%	17.2%	**21.2%**	27.4%	15.3%	**-1.5%**	4.0%	-6.8%	**-3.4%**	2.0%	-8.6%
Business & Industry[2]	**(38.0)**	(35.8)	(40.1)	**(39.2)**	(37.1)	(41.3)	**38.6**	40.8	36.4	**36.6**	38.7	34.4	**(7.3)**	(5.0)	(9.6)	**(8.9)**	(6.6)	(11.2)
Education[2]	**(30.8)**	(24.6)	(37.1)	**(32.2)**	(26.0)	(38.3)	**38.9**	48.1	30.3	**36.8**	45.9	28.4	**(2.0)**	5.7	(9.5)	**(3.7)**	3.9	(11.0)
Primary/Secondary Schools[2]	**(23.0)**	(20.3)	(25.6)	**(24.5)**	(21.9)	(27.1)	**26.5**	29.5	23.4	**24.6**	27.6	21.6	**(1.3)**	1.6	(4.2)	**(3.0)**	(0.2)	(5.8)
Colleges & Universities[2]	**(40.4)**	(29.7)	(51.0)	**(41.6)**	(31.1)	(52.0)	**58.4**	73.8	43.0	**56.1**	71.2	40.9	**(2.8)**	10.5	(16.3)	**(4.5)**	8.6	(17.8)
Healthcare[2]	**(3.4)**	(1.2)	(5.6)	**(5.3)**	(3.1)	(7.5)	**4.1**	5.6	2.5	**2.5**	4.0	1.0	**0.3**	2.2	(1.6)	**(1.5)**	0.4	(3.3)
Hospitals[2]	**(9.3)**	(5.8)	(12.8)	**(11.1)**	(7.6)	(14.5)	**5.3**	7.2	3.2	**3.7**	5.6	1.7	**(2.3)**	0.5	(5.1)	**(4.0)**	(1.2)	(6.7)
Long-Term Care[2]	**(0.8)**	0.6	(2.1)	**(2.7)**	(1.4)	(4.0)	**2.1**	5.7	(1.4)	**0.6**	4.1	(2.9)	**0.7**	3.1	(1.8)	**(1.1)**	1.3	(3.4)
Senior Living[2]	**3.9**	4.9	3.0	**1.9**	2.8	1.0	**4.0**	3.1	5.0	**2.5**	1.6	3.4	**4.0**	4.0	4.0	**2.2**	2.2	2.2
Refreshment Services	**(23.8)**	(15.9)	(31.8)	**(25.9)**	(18.2)	(33.7)	**31.4**	42.0	21.0	**28.2**	38.5	18.0	**0.0**	9.3	(9.2)	**(2.5)**	6.4	(11.6)
Military[2]	**(0.2)**	1.5	(2.0)	**(2.2)**	(0.5)	(3.9)	**0.8**	6.3	(4.7)	**(0.7)**	4.7	(6.1)	**0.3**	3.9	(3.3)	**(1.5)**	2.1	(5.0)
Corrections[2]	**(2.3)**	(1.1)	(3.6)	**(4.2)**	(3.0)	(5.5)	**3.7**	5.9	1.7	**2.2**	4.3	0.2	**0.7**	2.3	(1.0)	**(1.1)**	0.6	(2.7)
All Other Foodservice	**-25.8%**	-20.4%	-31.2%	**-27.8%**	-22.6%	-33.1%	**33.8%**	42.7%	27.9%	**30.5%**	39.2%	24.8%	**-0.4%**	6.5%	-6.2%	**-2.9%**	3.8%	-8.6%
Total Foodservice	-22.4%	-17.7%	-27.0%	-24.4%	-19.9%	-28.9%	16.3%	20.5%	12.1%	13.6%	17.8%	9.5%	-5.0%	-0.4%	-9.5%	-7.3%	-2.8%	-11.8%

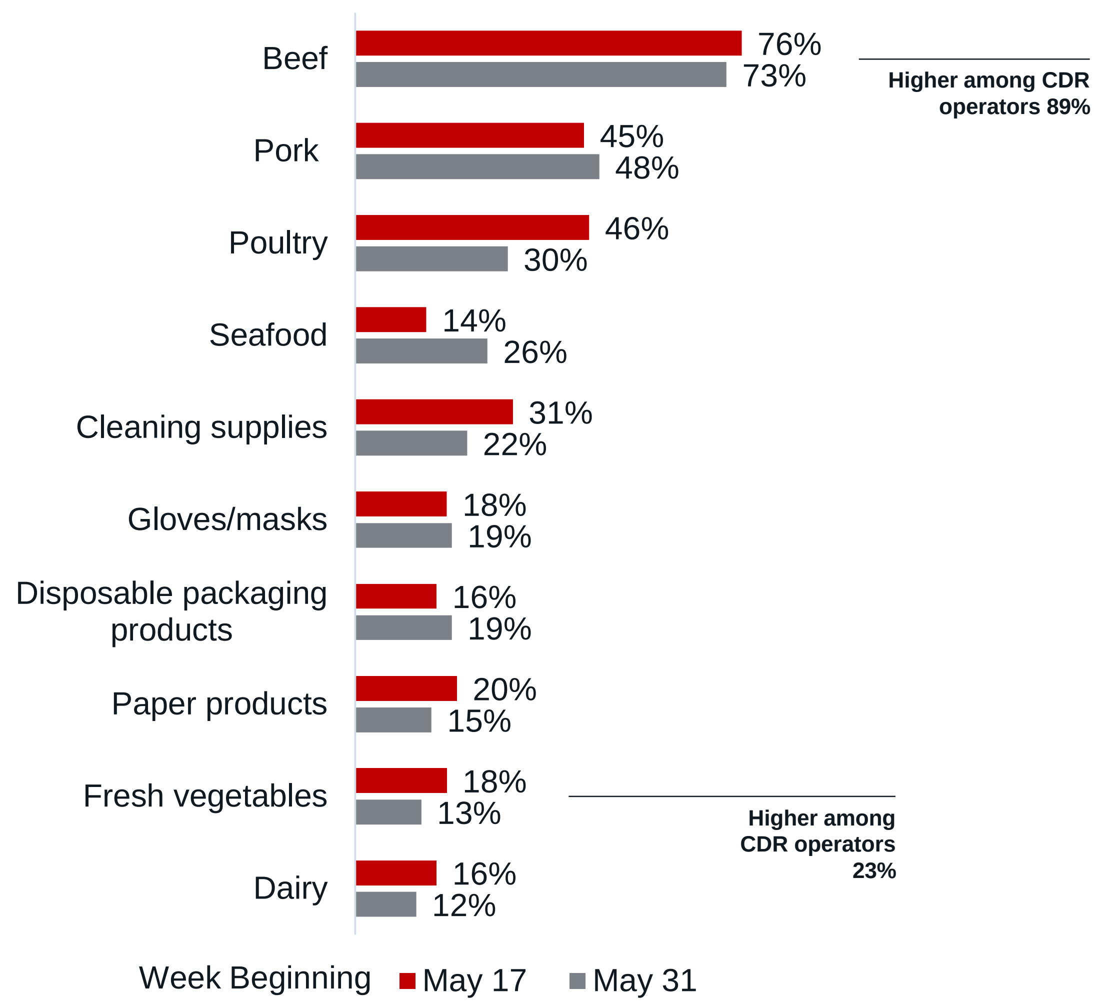
Operator Impact

Operators continue to see shortages in their animal protein supply

Although operators continue to see animal protein shortages more so than other items, fewer operators are experiencing shortages when compared to the previous week, with the exception of seafood. Reports of seafood shortages are likely driven by fine-dining establishments as they begin to reopen.

Reports of shortages of gloves, masks and disposable packaging increased week over week.

% OF OPERATORS EXPERIENCING PRODUCT SHORTAGES IN THE FOLLOWING CATEGORIES (TOP 10)



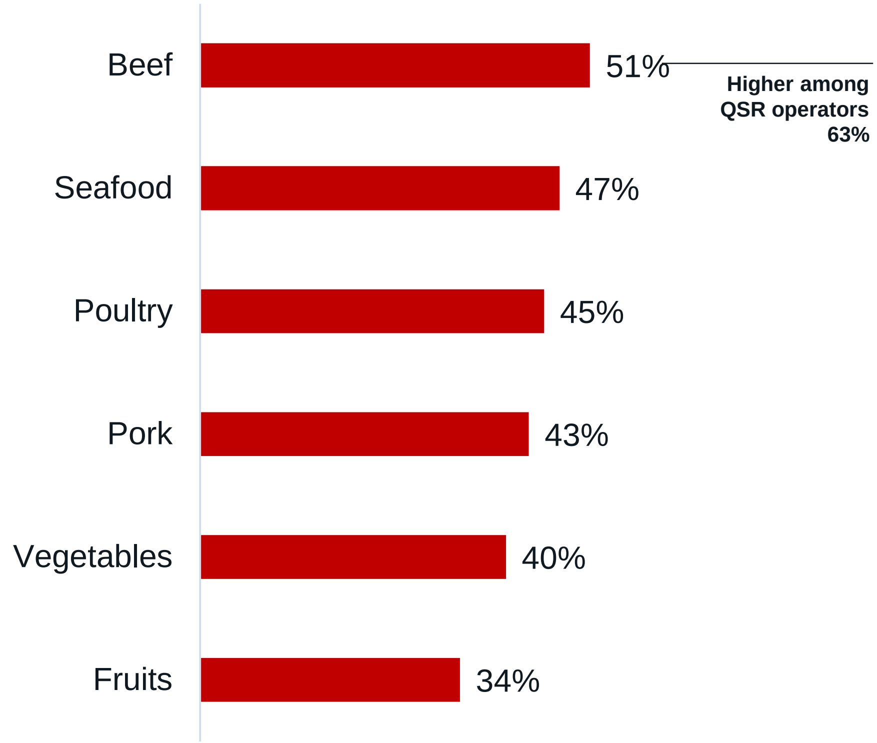
OPERATOR IMPACT

More than half of operators, particularly QSR operators, say they are likely to switch from fresh to frozen beef

Nearly half of operators (47%) say the same for their seafood products and, to a slightly lesser extent, their poultry and pork products.

This aligns with the data on previous slides that show greater concern for product shortages with animal protein products.

% OF OPERATORS LIKELY TO SWITCH FROM FRESH TO FROZEN PRODUCTS (TOP TWO BOX)



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Consumer Behaviors

CONSUMER IMPACT – COVID-19 BEHAVIORS

Comfort with eating away from home grew

Fewer consumers reported that they were eating at home or avoiding food courts and food halls. Avoidance of crowds also decreased.

The use of surgical masks saw its first drop after a steady increase these past three months, indicating consumers may be using them less as states reopen.

As consumers go back to work and travel locally, use of public transport is also increasing.

CONSUMER BEHAVIOR IN RESPONSE TO COVID-19

	Week Beginning													% Change From Prior Week
	Mar 1	Mar 15	Mar 22	Mar 29	Apr 5	Apr 12	Apr 19	Apr 26	May 3	May 10	May 17	May 24	May 31	
Washing my hands more often	76%	85%	92%	90%	92%	93%	92%	88%	88%	90%	88%	88%	87%	-1%
Staying away from crowds more often	49%	68%	86%	86%	85%	87%	86%	83%	82%	86%	84%	86%	82%	-4%
Eating at home more often	35%	56%	81%	80%	79%	83%	78%	83%	77%	78%	77%	81%	75%	-6%
Using hand sanitizers more often	55%	66%	70%	72%	73%	73%	72%	67%	70%	72%	72%	74%	74%	-
Using surgical/healthcare masks more often	9%	10%	17%	23%	36%	50%	58%	67%	68%	72%	72%	76%	73%	-3%
Not visiting any type of buffet restaurants more often	29%	44%	62%	64%	63%	64%	63%	64%	60%	66%	61%	67%	62%	-5%
Avoiding or changing travel plans	29%	43%	56%	60%	62%	63%	59%	56%	56%	61%	52%	56%	57%	+1%
Visiting food courts/food halls less frequently than normal	19%	34%	41%	42%	43%	46%	44%	41%	42%	45%	41%	45%	40%	-5%
Using public transportation less often	16%	25%	32%	35%	36%	33%	37%	35%	33%	37%	34%	39%	33%	-6%
Working from home instead of the office	7%	20%	32%	36%	33%	34%	31%	30%	28%	32%	30%	32%	27%	-5%

CONSUMER IMPACT – FOODSERVICE BEHAVIORS

Restaurant usage is up, while off-premise is down

There was a 4 percentage-point drop in consumers not willing to eat at restaurants. Meanwhile, delivery (-3%) and drive-thru (-2%) experienced decreases as well.

LIKELY CONSUMER ACTIONS/ATTITUDES DUE TO THE CORONAVIRUS IN REGARD TO FOODSERVICE (% LIKELY OR VERY LIKELY)

	Week Beginning													% Change From Prior Week
	Mar 1	Mar 15	Mar 22	Mar 29	Apr 5	Apr 12	Apr 19	Apr 26	May 3	May 10	May 17	May 24	May 31	
I will not go out to eat at restaurants as often	32%	53%	77%	77%	79%	79%	72%	72%	67%	71%	70%	73%	69%	-4%
I will stock up on food and supplies*	-	-	59%	59%	70%	70%	64%	65%	62%	61%	64%	62%	61%	-1%
I will not order from sit-down restaurants as often as before the outbreak	-	-	-	-	70%	70%	63%	66%	58%	57%	60%	57%	55%	-2%
I will order more food from the drive-thru	-	27%	45%	45%	45%	46%	48%	48%	48%	52%	48%	51%	49%	-2%
I will order more restaurant food for delivery	13%	25%	38%	38%	40%	38%	40%	42%	39%	39%	41%	45%	42%	-3%
I will not order from fast-food restaurants as often as before the outbreak	-	-	-	-	55%	57%	49%	47%	43%	46%	47%	42%	42%	-
Losing my job/work shifts	-	-	26%	31%	32%	29%	29%	30%	28%	25%	27%	24%	24%	-

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Intent to stockpile increases

Stockpiling is highest in large cities and suburbs outside large cities, which aligns with the fact that these areas are most concerned with the spread of the coronavirus and the potential of food shortages.

Also, intent to reduce consumption at restaurants is down, indicating consumers may be getting more comfortable with dining in.

PLANNED LIKELY ACTIONS IN RESPONSE TO AVOIDING ORDERING FOOD/BEVERAGES AWAY FROM HOME

	Week Beginning													% Change From Prior Week
	Mar 1	Mar 15	Mar 22	Mar 29	Apr 5	Apr 12	Apr 19	Apr 26	May 3	May 10	May 17	May 24	May 31	
I will stockpile groceries and eat at home	49%	42%	32%	41%	43%	39%	41%	40%	41%	40%	42%	39%	43%	+4%
I already have the groceries/supplies that I need and will just ride it out until I feel it's safe	18%	31%	45%	37%	32%	34%	30%	26%	24%	24%	25%	23%	23%	-
I will reduce my eating and drinking in restaurants	30%	21%	13%	14%	16%	20%	19%	21%	24%	26%	21%	26%	21%	-5%
I will have restaurant meals delivered to me instead of going out of the house to get them	3%	4%	8%	7%	7%	5%	8%	9%	11%	9%	9%	11%	11%	-

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LTO Plans

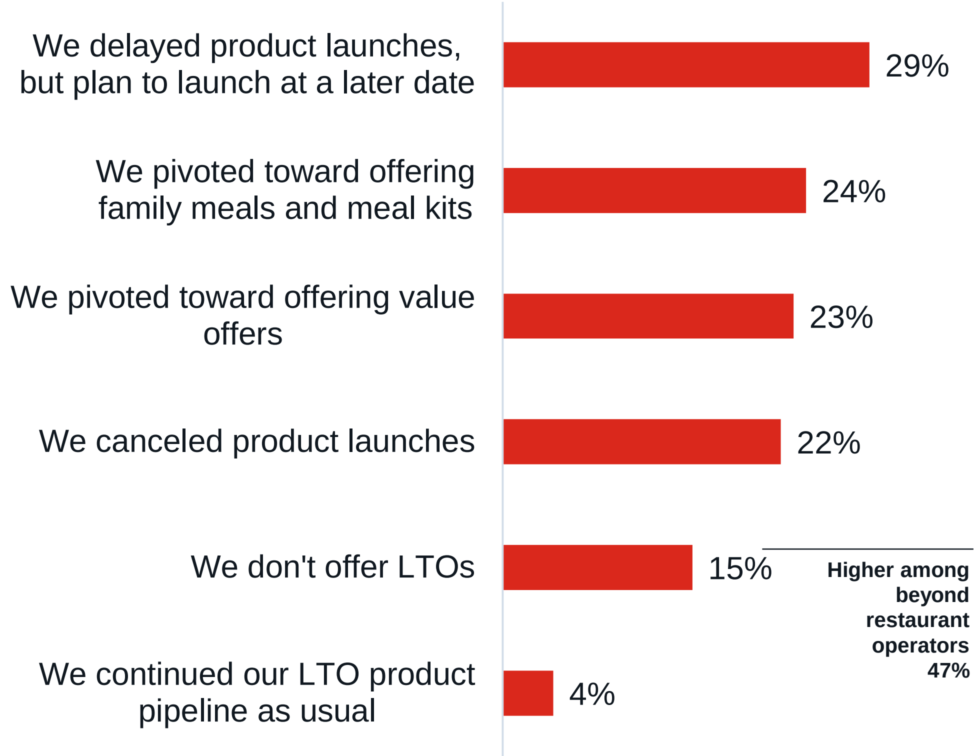
LTO PIPELINE IMPACT

Few operators are continuing with LTO launches. Instead, many have delayed, canceled or pivoted to other offerings

Twenty-nine percent (29%) of operators delayed product launches with plans to release in the future, while 22% say they have canceled their launches altogether.

About a quarter of operators have pivoted to family meals and meal kits, and close to another quarter have switched to more value offerings.

LTO PIPELINE IMPACTS DUE TO COVID-19

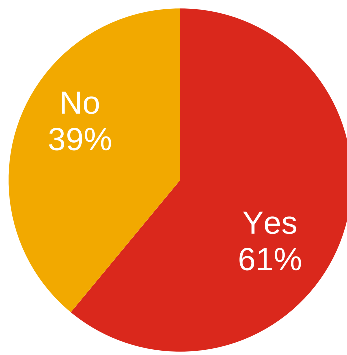


LTO PLANS

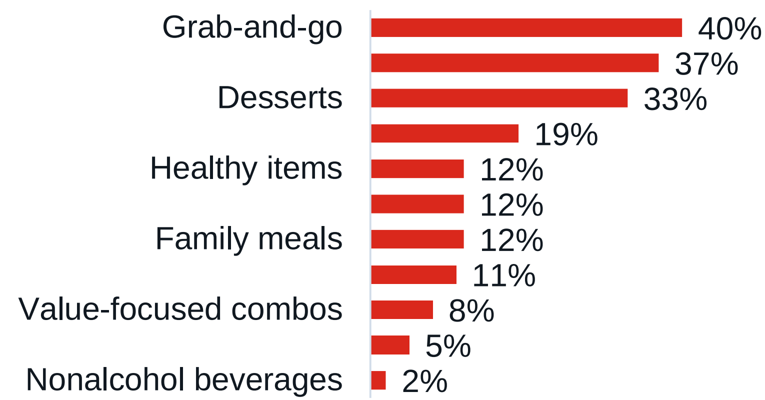
Despite current pivots away from LTO launches, three-fifths of operators say they plan to introduce new LTOs over the next few months

Many are planning on launching LTOs where sales are being driven—off-premise—via the grab-and-go category. A slightly smaller share are looking to introduce LTOs in their entree and dessert categories.

ARE YOU PLANNING TO INTRODUCE ANY NEW LTOS OVER THE NEXT FEW MONTHS?



WHICH MENU CATEGORIES DO YOU PLAN TO OFFER LTOS?



Thank you.

To learn more, please contact…

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