

Company Participants

- Michael Halen, Senior Restaurant Analyst
- Roslyn Stone, Chief Operating Officer

Presentation

Michael Halen {BIO 18797919 <GO>}

Hi, this is Mike Halen, and welcome to the BI Webinar from Coronavirus to Hep A, Restaurants Must Prepare to Minimize Risks. Quickly we'll go through some notes. Today's presentation will be recorded and available for playback. You can find the replay link in the email that Bloomberg Webinar send you and access the replay that way.

At the bottom of the slide window you can adjust the volume and maximize your screen. Please ask questions. We want to make this as conversational as possible. You can submit them to the right of the slides and we'll address questions after the prepared statements.

And a copy of these slides will be distributed in a post event email. So quickly for those of you who weren't familiar with Bloomberg Intelligence. We are Bloomberg's internal research arm. We have almost 300 analysts covering about 2,000 companies. We also cover government, ESG, credit and litigation. And I'm very excited to have Roslyn Stone with me.

She is the Chief Operating Officer of Zero Hour Health and Founder of Zedic. She is going to give us some really good information on how restaurants should be dealing with the threat of Coronavirus and other issues including Hepatitis A homelessness and a few others. So quickly I'm just going to go through a few things from our research side and as everybody here knows unless you've been living under a rock that the market was down pretty significantly last week. S&P was down about 12%.

A lot of this is around supply chain fears and consumer demand fears should the Coronavirus spread in the United States. So we don't know too much about you know what that impact is going to be just yet. And that's exactly why we have Roslyn here, but what we have some information on is China. And so out of the companies we cover.

We have a few that we feel that you should be aware of Yum China, Yum Brands their parent and then Starbucks. So Yum China obviously has the most exposure. We think they're very likely to post operating, an operating loss in 1Q and 2020 as well as the outbreak leads to shrinking revenue and margins.

As of February 5th the earnings call more than 30% of the stores were closed and sales at open locations were down 40% to 50% since the Chinese New Year. Due to limited store hours and much, much lower levels of consumer traffic. So we think those numbers got worse in mid-February. They may be getting better now in March. We have not received an update though in the last month. Sales de-leveraging though will likely cause significant margin contraction this year.

We do think KFC will fare better than Pizza Hut because they have a larger mix of to go sales. And Yum China is a significant portion. As you can see by the chart 18% of Yum Brand store base right now. So it's going to have a significant impact on the franchise or same-store sales net unit growth and operating profit will all likely fall short of management's long-term targets. As China represented 28% of KFC's 2019 sales and 17% of Pizza Huts and made up a whopping 35% of Yum's net unit growth.

And then finally, Starbucks, we think they're going to likely to cut fiscal 2020 revenue and operating income guidance as its quarantines and travel restrictions in China have led to store closing, sales de-leveraging and store development delays. Almost half of the stores were closed in January and we think that number likely rose in early February as the travel restrictions increased.

We recently got an update. Last week management said 85% of stores are now open. But even once people are allowed to move freely, we think they are going to be hesitant to visit restaurants. This could have an outsized impact on Starbucks, which serves high volumes of customers and act as a third place. Store staffing should also be an issue.

So with that let's talk a little bit about the United States and I'm going to pass it over to Roslyn.

Roslyn Stone

Thank you, Mike. Good afternoon, everyone. I am from Zero Hour Health. Zero Hour Health is almost 30-year old company. We support some of the biggest names in the business for medical crisis prevention and response from large scale catering to nationwide quick serve, we handle every kind of clinical issue that you can imagine over the last almost 30 years.

A little bit of background about how we got into this business. Almost 30 years ago we went into business to be the medical department for companies that did have their own. And one of our very first clients was Outback Steakhouse. And we went into Outback when there's 40 restaurants and did flu shots. And three years later they went to write their first crisis manual and came to us and said, hey what we'd like to write in our crisis manual is that we'll call you when we have any kind of employee health or patron health or community health issue and work together to figure out how to resolve it.

Fast forward 25-plus years after that conversation and a couple of weeks ago our staff were part of a team. It's screened every food service worker before they went to

work at the Super Bowl. So over the years we've had lots and lots of issues come at us and what I'm going to talk about today is how handling those issues and being prepared for those issues is what's going to prepare you for handling Coronavirus.

Just a little bit about what we do with our health. We send real time alerts and we make proactive recommendations which is what we're doing now providing medical guidance and helping our clients develop or build out their crisis plans. When something happens and we are starting to see some things happen related to Coronavirus. We have 24/7 rapid response. We help determine whether or not the illness is real and to this point for much of the restaurant industry it has not been real although that seems to be changing over the last 24 hours and we have deep relationships with health departments and other regulatory agencies.

So that when an issue comes up we can go right to the CDC or right to the State Health Department. Our local health department and act as our clients, agents in that situation but also partner with the Health Department, which we know is the best way to resolve these situations.

When we do have a crisis situation we provide onsite and offsite clinical support expert knowledge and again we work with our clients who generally directly work with local and national media as necessary, but giving restaurants good information and the people that stand up to represent restaurants and food service providers having good information is key to handling media related issues.

So what are the real issues that the health issues that the industry is facing. I want to walk you through the issues that we dealt within 2019 because looking at how -- what those issues are and how we handle them is what is going to best prepare us to handle Coronavirus. We keep track of when our clients call us and what they call us about and the list that you see in front of you is not necessarily in the frequency of occurrence, but in the resources needed to respond.

Without a doubt Hepatitis A was the number one issue or resource drain in the industry in 2019 and for our team. Just by way of history. In 2016, there were several hundred Hepatitis A cases in the entire United States. In 2019 there were somewhere north of 31,000. Let's talk about what happens to our restaurant when a single food service worker is diagnosed with Hepatitis A.

Generally, in the past, the health department would go public and make a public announcement that there was a food service worker who contracted Hepatitis A. And just to put that in perspective there's only been a few cases of actual food service or food-borne transmission of Hepatitis A. It can have that route of transmission.

But for the most part that's not how most transmission takes place. The Hepatitis A problem is very, very closely aligned with the opioid problem. And but just to put it in perspective and show you the impact on the industry. When a single Hepatitis A case is made public by the Health Department. A restaurant will see a drop in

revenue of somewhere between 50% and 70%. We had one client who had Hepatitis A case two weeks ago. The revenue in that restaurant is still down by almost 50%.

So we see a drop in revenue to somewhere between 50% and 70% of the pre-media levels. Somewhere it stays down that low for at least three weeks usually six weeks and then starts to come back where we get back above 80% at that location of the pre-incident revenue. Even years later they may be at 80% or below the pre-incident revenue. It will impact every restaurant with that name in the market. So if there are four restaurants in one small city and they're all with one brand and one has a single Hepatitis A Case where no guest and no coworkers got Hepatitis A. All the restaurants in that market will see a revenue drop that will last significant period of time.

That single location will see the biggest drop in revenue and had been the slowest to recover, but every restaurant in the market will experience it. The reason we're talking about Hepatitis A today is not just for its financial impact on the restaurant, but to understand the way that we kept -- the things that we can do to prevent Hepatitis A to prevent its transmission or to manage it when it occurs are the same things that we need to do to prevent Coronavirus transmission.

The same thing is true for Norovirus. In the past 10 years, we've always had one or two hepatitis cases per year among our client base. In the last year to two years we've often had one or two per week and sometimes more than that, but Norovirus has always made up more than half of the cases that we manage for our clients.

Norovirus as you know one single person vomiting in a restaurant or vomiting in a bathroom can make hundreds of other people sick. Norovirus is a really difficult virus to manage unlike Coronavirus is a more difficult virus to manage because while there are certain things that are uncommon, but someone who has Norovirus is shedding the virus at very, very high levels for 24 hours before they have symptoms and then still shedding the virus at very high level for three days after their symptoms end.

So the things that we've learned about managing Norovirus very much apply to Coronavirus, which is not to work sick, not come back to work too soon and hand-washing and good sanitizing practices are what contains both Hepatitis A and Norovirus and we'll make sure that we don't get coworkers or guest sick when we have someone who has been infected either an employee or a guest.

One of the things that's important to know about Coronavirus is it's a bit easier to kill either Hepatitis A or Norovirus. It's encapsulated itself that reacts to almost a response to almost any EPA approved sanitizer especially ones that say that they are effective for emerging viruses.

So again, what do we know about Hepatitis A and what do we know about Norovirus. The things that work well to keep them out of restaurants will help keep us safe for Coronavirus. Hand washing, not working sick, making sure that we identify

who is sick and get them out of the restaurant that we as managers model not working sick. Those are the two top issues that have impacted the industry and impacted the industry from our financial perspective from an employment perspective and from a public relations perspective for the last several years.

Hepatitis A will continue to be a problem for us long after Coronavirus peaks and starts to settle down because we really haven't done much about addressing Hepatitis A in both the homeless community and the outweigh population which are sometimes one in the same.

I want to mention measles because measles is an interesting -- an interesting health issue that we dealt with in 2019. Not one of our physicians had ever personally seen a measles case before we got a call from a restaurant early last year saying that the Health Department had notified them that an employee had been diagnosed with measles because measles is a disease that was wiped out in this country through proper vaccination years ago.

We learned a lot of important lessons from that very first measles case. And since then many of our clients have experienced either employees or guests with measles. One of the things that we've learned is that the impact of a media statement is very, very different than Hep A or Norovirus. The public at this point is somewhat immune to measles and not as afraid of it because so many of us have been vaccinated.

But the Health Department will always go public on a measles case whether it was a guest or an employee who is diagnosed with measles in a restaurant, but the impact is really interesting and sometimes disproportionate on restaurants and employee population. The Health Department will come in and I want to see the vaccination records for employees.

So in that very first case we sort of listen to them. We sort of listen to them and let them set the tone in the pace and they didn't seem terribly concerned, there was an employee, there was an employee and it was clear from the press release that it was an employee because when they listed the hours of exposure the person who is in the restaurant for two full days.

And then in other restaurants and schools and likewise for a couple of hours at a time, but that's still going to impact the restaurant. What impacted the restaurant was when on day four the Health Department asked to see all the vaccination records and wanted to exclude anyone whose vaccination records hadn't yet been retrieved.

And that disproportionately affected the back of the house. It's easier to open a restaurant when you have to exclude the front of the house or certain members of the front of the house, but when nearly the entire back of house is excluded because they don't have their vaccination records. It's really hard to keep a restaurant open.

So we've learned a lot from measles and some of that applies to Hep A and some of that applies to Norovirus which is to get the employee roster right away to start

checking on vaccination records to send people to get measles titers right away and the same thing with mumps, if we do find that there is a case in the restaurant. I would be remiss if I didn't talk about homeless for a minute. It was not an issue that was ever on our top 10 list previously. It came up in 2019. I went to speak in front of a client's franchise group in California several months ago and I stood up and started to review the 2018 top 10 list when someone in the front of the room said, but I need to talk about homelessness and often when I speak I may speak behind risk management and in front of legal or something in that order.

So I try to defer the question to legal who is speaking after me, but this franchisee was not accepting that because he really had issues as did everyone else in the room by the time he got done asking his question. And his questions were, what do I do about my bathroom, what do I do about keeping my bathrooms clean when there are homeless people coming and using my bathrooms, so what do I do about my salad bar, what do I do about concerns. We're finding needles, we're finding drugs, we're having all kinds of issues related to the homeless community within our restaurant community.

We had never in almost 30 years in business had the following question and then had it in four consecutive months, which is what do we need to do if tear gas is used in a bathroom and back story of that is that there are lots of times that someone has been in the past couple of years either unconscious in a restaurant bathroom either overdose during some way barricaded in a bathroom and the police had used tear gas to get them out of the bathroom, which is the way that we prefer the biggest amount of the bathroom other ways, but it does mean that our restaurant needs a very, very thorough and proper cleaning.

We didn't know the answer to the question the first time and found it and again had the same question months and consecutive months. The rest of the illness on the list are things of our top 10 list are things that many of you are familiar with and many of you have dealt with before we always have some TB. It's endemic these days again a disease that was wiped out in our lifetime.

Last year we had more recourse in previous years and certainly remain challenged the industry. This year we had an uptick in guest complaints and an uptick in fake guest complaints meaning we saw the same guest complaints from multiple restaurants at the same set of medical bills repeatedly. We saw mumps for the first time. Cyclosporine another water issues were pretty, pretty widespread this past year.

So now where are we? Now we have Coronavirus and what are the issues that you guys are telling us that you're dealing with related to Coronavirus. Just a little bit of back a little bit of wearing my epidemiology hack just to put Coronavirus in perspective.

What we are hearing is that most people who get it are sick with something between a mild cold or severe cold and a mild flu. They are not particularly sick for very long if

they have no underlying medical conditions. Certainly the news in the last few days had been coming at a fast and furious pace as well that information out there, and this information out there and rumors out there. And here's what you have been asking us about Coronavirus over the last few days. The very early on in the process and have continued is some hesitation and serving Asian parties. And what we have said repeatedly is there's absolutely no reason whatsoever not to serve or have any hesitation or act any differently towards any group in the United States at this point of time and again that question does keep coming up over and over and over again.

We're hearing from you that there is some concerns about students and employees from Asia and Italy and what we trust is that the regulatory agencies are quarantining people as appropriate who are returning from other countries. And again we're trying very hard not to see any prejudicial treatment or any ways that want to put employees treated from a different group of employees.

We are seeing significantly more illness or concerned about illness in Italy in the last few days and it seems like there were quite a large number of high school winter breaker or spring break trips that went to Italy that now returned. We did see a situation yesterday where there was a school in Pawtucket, Rhode Island that was closed after two or three students are either tested positive or are suspected of having Coronavirus having returns from Italy. They chose to close the school and do a voluntary quarantine of some of those families.

It did create a lot of misinformation and an opportunity for there to be some real fierce spread before we were able to get better information. We are seeing and many of you have household contacts who are ill or being tested. We're having -- we're getting again a lot of misinformation about that. Just a few minutes ago we had a situation where someone who said they were quarantine when it turned out that their sisters roommate was being tested and there really was no quarantine. It was a self quarantine or self determined quarantine and we've seen a lot of that over the last few days.

Many of our clients have had sick calls where some says I think I have Coronavirus or I have Coronavirus haven't been tested hasn't been out of the country, haven't had other direct exposures. We're going to see some of that (inaudible) over time. It's important to have the resources in place to evaluate that. Some of you have asked us about taking temperatures and having managers do some kind of screening when employees report to work and we don't want to see you put your managers in a clinical role or to try to make a clinical evaluation. Problem with Coronavirus is that roughly are upto 20% of people who are infected with Coronavirus are asymptomatic.

So I'm not really sure what a restaurant manager as opposed to do in that situation or how that would be effective. And again put them in a really uncomfortable rule. I think we need to leave the diagnostics role and the screening role to the regulatory agencies, health departments and personal physicians and the like. We are not advising that you send everyone to a doctor and there is some guidance from coming down from the CDC that says that there will be a point that we will not be

able or we should not require doctors notes because most people who have Coronavirus will not need medical attention. They'll be sick, they'll get better and we'll have some guidance for when it's okay to bring them back to work.

We had several clients who have sourcing challenges. There is an awful lot of seafood that comes out of Southeast Asia and comes out of Asia and some concerns about and some supply side issues, some delay issues some concerns about if they use up their current supply now what the supply is going to look like going forward. We are very interested to hear from you, what you're hearing about that and we're also interested and what kind of creative solutions you'd have to some of those sourcing issues and challenges.

The biggest set of questions that we have had over the last 48 hours are about travel, travel issues and travel concerns. We are aware of several restaurant and food service organizations and hospitality organizations that have canceled the annual conferences that have encouraged people or put a hold on domestic travel.

We at Zero Hour Health are not currently doing that. That is not the guidance of our health departments or on the CDC. Obviously that may change at some point in time. What we're hearing again are concerns about employees not wanting to travel who need to travel as part of their job.

We're hearing concerns about travel, domestic travel and travel policies. We're hearing concerns about conferences coming up and then being canceled, people that have spent a lot of money. Scheduling large groups of people to go to some industry conferences that are coming up and what that's going to look like.

I think we're going to need to. We're going to need to have a wait and see attitude about that and we're going to need to be flexible on that. Again at this point in time, we are limiting domestic travel. We certainly have some concerns about certain international travel. We know that there were some new stories out there that are accurate about very big companies having put a hold on all international travel and all domestic travel.

Again at this point in time we don't have guidance that's telling us that's an unnecessary course of action at this point in time. We did have some questions come up yesterday about when an individual has personal concerns about traveling and our best advice to you on that is to handle on a case-by-case basis. For our clients, we can help you with that.

But if someone has a personal medical concern they should be able to discuss it privately with the manager and address it in that way. So the question that you've all had is from an employee cannot wear a mask and there is just in a straightforward answer across the industry, which is that no one -- no employer out there is comfortable in a restaurant retail or hospitality setting with employees either front or back of the house wearing a mask.

There is no clinical reason to support wearing a mask at this time. There is a mask shortage. As I'm sure many of you've heard and N95 respirator shortage. Our guidance is that there is not a reason to wear a mask at this point. There is no clinical direction to wear a mask and again our clients uniformly are saying no if you feel that you need to wear a mask then unfortunately you can't come to work at this time.

Obviously some of these things may change over time, but that's where we are now. I don't think there's anyone out there who wants a server wearing a mask serving their dinner or seeing other ways that we're seeing issues that Coronavirus brought into a restaurant unnecessarily at this point.

Someone asked a really good question yesterday afternoon and it was about television and it was about where we get our news and how much news there is out there and how uncomfortable our guests are with the whole Coronavirus issue.

And one of our clients yesterday talked about being sure that they were no longer allowing their TV used to be tuned to news and their bars, but choosing sports or food network or something else because there were some pretty uncomfortable conversations going on.

And you could see peoples anxiety levels rising as there was so much news. And what's on the news isn't always true there was a new store yesterday morning here in New York with a physician being interviewed that really had incorrect information about testing and who is being tested and when they should be tested again it was on a major news network.

So we certainly want to make sure that we're handling those carefully. We are having conversations about potential regional quarantines or closures. Our advice to you there is, it's time to take out your crisis plans, your pandemic flu plans that you developed back in 2009 and also your hurricane plans and added them and bring them up-to-date.

We think the closures if they occur will look more like a hurricane than anything else. And I say that because in a hurricane you can carefully close down a restaurant in an organized way that makes it easier to reopen. So we are getting rid of your -- you're getting rid of your non-dry goods or your non-freezer goods either by hurricane you would cook them up and give them to your employees to take-home, but now you can just give them to your employees to take homes and their food if you're in a area that we'd have a closure or original quarantine.

We are hearing some information about some restaurants thinking there maybe a point that people are coming to their dining rooms or that if there were some kind of warning about the public not staying at home or not going to public places that we expect to see a significant uptick in delivery and takeout and some hands off procedures for doing delivery and take out where you're not coming face-to-face with the guest picking it up and then last but not least, the question I personally get the most is what is my personal preparedness plan.

And, yes, we have prepared our house to have some kind of quarantine. We're not -- we're certainly not being peppers that would be on one of the television shows but we've stocked up on some groceries and the medications that we like when we're not feeling well and do you think that guidance from the CDC was although created some level of panic was probably appropriate at this point in time.

So what should we be doing? What we can actually do to keep ourselves safe or the things that we tell all of you every day which is hand washing prevents cold, flu, Hep A, Norovirus and the spread of Coronavirus and cover your mouth when you cough. Do not work sick. Don't let anyone work sick. Don't come to work unless you're fever free for 24 hours and you can control your cough.

If you had vomiting and diarrhea, you need to be out for 48 hours before working. Bathroom cleanliness is more important than ever. Focus on the touch points toilet stall, sink and bathroom door handles and also the things at working at home. So all your hand washing sinks.

And did I say hand washing I know many of you have heard me speak before and I never stand up before any of you without talking about hand washing at the start of what I say and the end. And this is truly a case where it is our first defense, our best defense or less defense and may be our only defense when soap and water is available that's always preferable.

Some of you are using soap and water and then following with hand sanitizer and then having hand sanitizers available for in between hand washing. If you have questions and you want to reach us we're at zerohourhealth.com. We are at an interesting point here at Zero Hour Health because this week we are launching a new business which is aimed at smaller and mid-sized organization it's called Zedic. And it's an app based service go to zedic.com and learn more about the small business support. Mike, questions?

Questions And Answers

A - Michael Halen {BIO 18797919 <GO>}

Yes, that was great. Thank you, Roslyn. Yes so please drop in some additional questions if you have them. I'm going to monopolize Roslyn for a few minutes here because I have a bunch of question that I had kind of like some clarity on. I think it's a very important point that you make that there's a lot of misinformation out there. I get a lot of my news from Twitter and there is a lot of irresponsible tweeting going on out there. So I guess if you can kind of let us know or maybe we should be looking to get our Coronavirus news right now?

A - Roslyn Stone

Sure. We are getting our Coronavirus news from some very specific sources. We're getting it from the CDC. We're getting from the World Health Organization. There's an excellent New York Times site that's been updated throughout the day. There is

an organization at Minnesota called CIDRAP. We read CIDRAP religiously. We are not reading mainstream media. We are not getting our Coronavirus news from the Daily Voice or the other local newspapers because the information really hasn't been -- has not been accurate up-to-date or well researched.

A - Michael Halen {BIO 18797919 <GO>}

Okay, great. And I guess I'll start off a little bit of good news, right. I think it's great news and it puts a lot of people's minds at ease by you telling us that Coronavirus most people that can track Coronavirus will suffer between a severe cold and the mouth flu. I think that definitely put my mind at ease when we first sat down and spoke and it seems like we got some pretty good news out of South Korea right in terms of mortality rates over the weekend. Can you kind of talk a little bit about what's going on there with the testing and how things have kind of panned out?

A - Roslyn Stone

Sure. South Korea has done a lot more testing than we've done to-date in the United States. It sounds like our testing will increase dramatically over the next few days or few weeks, but testing isn't really necessary because there again there is no specific treatment and there is no vaccine and most people are just getting better, but South Korea has done a very large number of tests over the last several weeks and it looks like when we started out, we are looking at, look like a mortality rate of somewhere around 2%.

It's now dropped down based on the real numbers of who's been affected or infected to be somewhere around 0.6%, 0.5% and dropping. We think it may hit something like 0.2% which would be almost identical to seasonal flu and again disproportionately affecting those who have who are elderly and have underlying severe medical conditions.

A - Michael Halen {BIO 18797919 <GO>}

Yes, that's great news. And, I mean, there's been a lot of talk about this being a very bad flu season. Is there a chance that the Coronavirus has been here?

A - Roslyn Stone

Yes. Very good question. We now believe that Coronavirus has been here for weeks. We were not testing for it. So in the last couple of weeks particularly here in New York, but in many states we've seen some of the highest levels of flu reported since we've been testing the flu and we're seeing that for a couple reasons. One is that more people are getting tested for the flu.

The second is more people are going to the doctor because they're concerned about Coronavirus. So there's been very widespread flu over the last several weeks. This is the second wave of flu season, which is an unusual at all, but none of them were being tested for Coronavirus.

We now believe that many people had both the flu and Coronavirus and they are better now. And we haven't seen a particularly high mortality rate this year compared to other years. So, yes, we think it's been here for a while and people may have had both tested positive for the flu and not tested for Coronavirus and congratulations you are not giving it the easy way.

A - Michael Halen {BIO 18797919 <GO>}

No. I think that's great news though for a lot of people that reading the headlines that are out there, right. So that's some good stuff too. All right. So you gave some really good color on the impact of when an incident goes public Hep A or measles or whatever it might be. That was great information. Does the type of store impact the timeline QSR versus CDR versus fast casual independent if it's a coffee shop. Is there anything that maybe can help or hurt that timeline the impact of sales when an incident happens?

A - Roslyn Stone

Sure. What we see is most impactful is having a core group of loyal customers. And then in any situation your loyal customers will come back first or they'll come back when they know that you're hurting. Years ago I was outside of restaurant that had a Hep A case that was very, very public.

It was in a major media market and I watched four seniors kind of toddle by in front of me on their walkers and they were having this conversation with Cummins [ph] because we knew the weight would be shorter and I just love that -- love sitting there and hearing that.

So we are finding that when you have loyal followers, they're going to come back that they're going to come back sooner and the public is generally more forgiving for certain things and in the past because there's so much more to come.

A - Michael Halen {BIO 18797919 <GO>}

And it seem like that was the case for Chipotle, right. I mean that was a very quick turnaround compared to some other names in the past?

A - Roslyn Stone

I don't have information on that.

A - Michael Halen {BIO 18797919 <GO>}

Yes, for sure, but in our experience we know that turnaround happened a lot faster than say Jack in the Box now a couple of decades ago. And sourcing issues obviously this has been a big concern. You mentioned that some restaurant groups have modified promotions because of shrimp and that some are actually going to South America, Brazil to source seafood, but you had also mentioned that there are some issues down there?

A - Roslyn Stone

Sure. Well whenever we change to a new sourcing channel. We change sourcing channel that we use for other goods, but not these. We see some things going on that are new and there were things that there's levels of research and follow up that need to happen to bring a new vendor online or new per day or a new channel.

We're hearing that there are some issues going on with regard to Brazilian beef. We don't have detail on it. It's been a new story that's been reported for the last several days. So that may impact sourcing and seafood from that region.

But I think again it's just another set of challenges that the industry is facing under challenging time, but that were way more nimble than we used to be and where there are restaurant rooms that had a year or two year lead time in their sourcing that's getting shorter or have to be shorter in order to be as nimble as we need to be these days.

A - Michael Halen {BIO 18797919 <GO>}

All right. You had mentioned you had some comments for Farm-to-table I thought were interesting too, yes.

A - Roslyn Stone

Thank you. Yes, I like to talk about Farm-to-table because in the past what I said and many of you heard me say this that the shorter the road from the Farm-to-the-table the shorter the road for food-borne illness. But in this case, we may be seeing something very different which is that the shorter the road from the Farm-to-the-table, the more solid your supply line is and here we're taking food in a shorter distance that we may see more secure supply lines then if we're bringing in foot (inaudible) in the world.

A - Michael Halen {BIO 18797919 <GO>}

Yes. And we also spoken earlier about Pawtucket, Rhode Island and the school quarantine, right. 500 kids and their families are being quarantine. So I guess if you could talk a little bit more about how we should think about domestic travel. What are you recommending to your clients in terms of plans for quarantine. I know you touched on it a little bit if you could expand on that, that would be great?

A - Roslyn Stone

Sure. Again, I think, that we're going to see some natural curbing off of domestic travel. Personally I travel a lot and not travel quite as much right now because we're still busy with so many of these things and enjoying a little bit of a spike, but I don't think that we're, I think, we're seeing things all over the place with what companies are doing, but there is -- there are some uniform messaging, business travel should be for a business necessity and that every company make their own decision.

I do think that we need to look at quarantines carefully and story went out earlier this afternoon about a school that was closed for quarantine in Westchester County, New York that was just. First of all the information that went out was wrong about which -- that it was entire school district when in fact it was a single private school and that the private school was closed without any direction from a regulatory agency or health organization that with authority.

So I think that we're going to need to evaluate the information that we get back to what's the source of information that we may see some regional quarantines like we would expect in a flu pandemic and we're going to be on the territory if that happens but we'll figure it out.

A - Michael Halen {BIO 18797919 <GO>}

Yes. And can employer send home employees without paying them and getting fines due to fair work week legislation?

A - Roslyn Stone

I'm sorry.

A - Michael Halen {BIO 18797919 <GO>}

So I'm just wondering about you had mentioned that employers should send home employees. So can you speak to maybe about the impact of fair work week and how that kind of would impact?

A - Roslyn Stone

Sure. I'm not an attorney. So I can't really comment on employment law. But I would say that in the past our advice has always been and continues to be that no one should work sick ever that you will -- we will figure that out that you should consult with your HR department and your legal department, but that no one should work sick if an employee calls out sick that they are encouraged to stay home until they're better.

If an employee tells you they don't feel well during their shift that you send them home. We'll work out all those other detail that's what we need to do to be safe and we need to model that behavior ourselves and I've been as guilty as quarantining myself at my office as the next time.

A - Michael Halen {BIO 18797919 <GO>}

So and you had mentioned that delivery could become more popular right and that makes a whole lot of sense. So can you talk is the feasible option restaurants closing their dining room, but still doing delivery and takeout?

A - Roslyn Stone

I think that is a feasible option and I'm hearing discussions about that amongst a number of the major restaurant groups. There were some restaurant groups that are

not doing delivery. And I think that they maybe in some ways adversely impacted although they almost everyone is doing takeout.

What that will look like -- we don't quite know yet, but we're hearing a lot about hands off pickup of or delivery of takeout meals and I think we may see more of about and that may lead us towards addressing some of the food safety issues of takeout and delivery that haven't been top of mind and been a concern for us through our health.

A - Michael Halen {BIO 18797919 <GO>}

Yes, Yum China, they're doing, they're exchanging deliveries within a few feet of each other.

A - Roslyn Stone

Sure.

A - Michael Halen {BIO 18797919 <GO>}

And they're also taking the temperature of the person who prepare the food and who is delivering the food and putting it on a, no, on outside of the package. So these are all things that we could someday see here, right.

A - Roslyn Stone

That'd be fine if 20% of the people had no symptoms, but --

A - Michael Halen {BIO 18797919 <GO>}

For sure and I guess one more for me and then we'll get to the audience questions. But you talked a little bit about some studies on pulmonary care?

A - Roslyn Stone

Yes, thank you. So there were some really interesting studies that came out in the last few days that were incredibly encouraging which is that since the last pandemic flu scare of 2009 that pulmonary care, ICU care and ER care has dramatically improved.

The technology has improved, the way that the processes are managed have improved even the oxygen generators. So that one of our biggest concerns has been the capacity of the health care system to take care of a large group of people who are very, very sick.

And the good news, the really good news is we are in a different place than we were 10 years ago with these issues and that we are at the health care system much better prepared to handle more people with severe pulmonary illness. So again that will help us keep those mortality rates much lower.

A - Michael Halen {BIO 18797919 <GO>}

That's great. So I guess let's get to some of these audience questions. The first one is what can we do today to ease the public scare of COVID-19?

A - Roslyn Stone

Good question, big question. I think we need again to have good information sources. I love the question we had yesterday about the televisions and restaurants. We need to be sure that we're not feeding into the rumors that we're using that information sources that we are leaders in our community on this that we're doing the right thing. And that the rest I think will happen naturally. There should probably be some level of healthy surrogate, but that most of us go about our business at this point in time.

A - Michael Halen {BIO 18797919 <GO>}

Okay, great. And how long before we see any ease on company's travel restrictions. Will it get worse before it gets better?

A - Roslyn Stone

I don't know the answer to that. The investing accordingly, I don't know the answer to that question, and we've had a number of clients ask us if they thought they should postpone conferences or postpone travel. I ask about travel, conferences at the end of May or June and we really don't have an answer to that.

A - Michael Halen {BIO 18797919 <GO>}

Okay. If we know that an employee has either been exposed or close to someone that has been exposed to Coronavirus. Should we take them off the schedule or wait until a direct notification from the health department?

A - Roslyn Stone

That's a tough question. At this point in time I do believe that we should be waiting for direction from a health department because we're seeing a lot of information and we're seeing a lot of misinformation, we're seeing a lot of rumors, we are seeing a lot of people saying they were exposed to Coronavirus when they really weren't.

Again the one that we dealt with just a short time ago was when from the person being tested for and having their family having Coronavirus too, a room-mate's family being tested maybe. So I think that's a difficult one and I think you're going to need to take care, but on a case-by-case basis, I would not exclude employees who might have been exposed. And I personally in my office would rely on communication from a health department.

A - Michael Halen {BIO 18797919 <GO>}

That's great. Do you think restaurants should communicate about Coronavirus with their dining?

A - Roslyn Stone

Good question. I am not a restaurant communication person. However, I do think that there are some very good restaurant communications people out there that have more information about that. And it would be very interesting to hear what kind of questions you guys are getting from your guests about that.

A - Michael Halen {BIO 18797919 <GO>}

Okay. And one of our listeners have said that they've had many events canceled due to the virus. Do you know if insurance companies are covering loss of business?

A - Roslyn Stone

A question for you?

A - Michael Halen {BIO 18797919 <GO>}

Unfortunately, I do not have an answer on that one.

A - Roslyn Stone

I do find out that most travel insurance doesn't cover calculations for active guard or for pandemic?

A - Michael Halen {BIO 18797919 <GO>}

Yes, well, I do -- I did have a discussion with one of our insurance analysts, and it looks like most of that -- this is an incident and active guard that would not be covered under most insurance agreements. Any guidance on whether restaurant should grant paid time off to hourly workers in this instance since many restaurants don't offer it?

A - Roslyn Stone

That's a difficult question for me to answer and a question that just so dramatically impacts the entire industry. I think that's a separate not a separate issue, but an issue that needs a lot further discussion. And in this case could be a very, very expensive discussion because we're not talking about putting somebody out for three days, because we think that Norovirus we're talking about people being out for several weeks and it's going to need more discussion and research and certainly with very, very heavily impacted financial viability of many mutations.

A - Michael Halen {BIO 18797919 <GO>}

Yes, it would be a great thing to be able to offer, but a lot of restaurants are in a mid single-digit net margin businesses. It's just difficult to be able to pay employees that aren't working. If a company implements a wellness check for every shift that they are open, not just, does that because of COVID-19. Is it okay to have a temperature check as part of the wellness check?

A - Roslyn Stone

We do not think they should. We don't want to see you have a manager be in a situation of being asked to have clinical skills or to use a set of clinical judgements that they are not trained for. Again there are a lot of people with COVID-19 who have no fever.

There are a lot of people with COVID-19 who have no symptoms at all. There are people with Norovirus with guaranteed symptoms. There are people with Norovirus with a fever. So again we don't really want to see a shift manager in a restaurant being asked to make that kind of clinical judgement. I think that's a really (inaudible)?

A - Michael Halen {BIO 18797919 <GO>}

Yes. And what's the -- what's the I guess the timeline of being able to spread it with your asymptomatic? I mean can you still shut it?

A - Roslyn Stone

We don't know that yet. There were many more things about Coronavirus or COVID-19 that we don't know than we do know. And I don't think we have some -- I don't think we have clear information. I think there's probably some real good information or newer information from the CDC about that than we have right this minute.

A - Michael Halen {BIO 18797919 <GO>}

Yes. Has anyone asked about handling currency and are there risk associated with that?

A - Roslyn Stone

I believe the answer to that. Yes, we have been asked that question. That's a question that's comes up a lot as we discuss food safety and good practice. And we believe that people handling money should be wearing gloves and they should not be handling food at the same time.

A - Michael Halen {BIO 18797919 <GO>}

Yes, that's sure. And no customers really don't like it. Do you know how often the CDC is updating the website with relevant information?

A - Roslyn Stone

I don't but I do know that they are listening. So I'll look at my phone in a minute and throw you a big question to that question.

A - Michael Halen {BIO 18797919 <GO>}

Given the news over the last few days. How often should Zero Hour Health update sessions be given to reinforce the messages today?

A - Roslyn Stone

Very good question. At Zero Hour Health we have started sending a daily executive summary to the senior leadership of our client base. Right now this is moving so quickly that I do think that there are some good reasons for daily updates to senior leadership. I think we're going to have to play it by year on how frequently we update field leadership.

And I know there are some organization that haven't passed this down to the field level. And in a last couple of days we've -- I've been asked to jump in as there was really high level of anxieties in some field management particularly because field management often have to move between restaurants. So they are either traveling by car, by mass transportation, by plane between their restaurants.

So I do think there is a need for some regular communication with the field. I don't know that it needs to be on a daily basis like we are doing for executive leadership. It's an important question.

A - Michael Halen {BIO 18797919 <GO>}

Great, thanks. And that's it for our question. So I just I want to thank you again, Roslyn for joining us. That was great. I feel a little bit better about Coronavirus after speaking with you over the last couple of weeks and hopefully our listeners do too. And they got some good information about their businesses. If you have any questions feel free to reach out to me or Roslyn at Zero Hour Health. And we'll be sure to forward along replay links and transcripts of the webinar. Thanks for joining us.

A - Roslyn Stone

Thank you.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.