

Ryan Morfin: Welcome to Non-Beta Alpha. I'm Ryan Morfin. On today's episode, we have Italo Zanzi coming to talk to us about luxury hospitality and travel, and the future of entertainment and sports. This is Non-Beta Alpha.

Ryan Morfin: Italo, welcome to the show. Thanks for joining us today.

Italo Zanzi: On the contrary, Ryan, thanks for having me. Great to see you, and great to participate. Really happy you're doing this fantastic initiative. It's a testament to your commitment of not only bringing together great people to share their ideas, but also your own real commitment to intellectual growth for everybody. So, thanks for having me.

Ryan Morfin: Thanks. I didn't pay you to say that, but I appreciate it. Next time, I will.

Ryan Morfin: Well, you've been working in a pretty cool segment of the hospitality and travel industry, the luxury side, and you've done it in a global basis. I'd love to pick your brain a little bit about what was going on before coronavirus in the luxury market for hospitality and travel, and then this happens. What are your view and the people that... your customers, what are their thoughts about how this is going to play out over the next 12 months, 24 months? So, I'd love to know a little bit about TrustyLux and a little bit of what the concept is.

Italo Zanzi: Sure. So, we launched this with my wife who is the co-founder, but also came up with the concept, and now is our CEO, about a year and a half ago. So, it's a very new company. We think a very innovative concept that focuses on delivering very specific and very curated insights for customers in terms of selectivity of the best properties per city, all the relevant details in a much more granular fashion than are provided today. Also, a platform for reviews that are actually helpful. We think that because of the massification of the digital marketplace, that level of authenticity and true one-to-one advice by people who have lived it, stayed there, paid for it, doesn't exist.

Italo Zanzi: So, we were very much in the process of expanding the, let's say, the profile and the engagement with our company, and then this hit. So, to your point, I think the luxury hotel marketplace is going to be very resilient, but it's going to obviously have to deal with the shock that it's living now. I think that comes through in a couple of different ways.

Italo Zanzi: First is a very practical one, which is the ability of people to move. So, unfortunately, many of the top luxury properties, because they rely on international guests and travelers, while that can't happen, then that's a challenge, right? Secondly, the properties themselves are not running in inexpensive way. I mean, these are luxury properties who by definition, they're charging a premium, and in order to be worthy of that premium, they are often, or usually, delivering services that have a lot of expenses around them. Whether it's the gardens and how many people they have to employ to maintain

landscaping, whether it's the investment that's been made in technology in the hotel, whether it's the staff.

Italo Zanzi: So, that's a reality on the cost side that so many of these properties have to bear. I can't really just escape from, because the idea is a bit... it's a bit of a paradox, but the reality is you have to maintain those things because this could, and hopefully will, subside very quickly. So, you can't just shut all that off. You can't just leave a property in disrepair and then turn it on. You have to maintain those things.

Italo Zanzi: And then, I think most importantly, there is a very subtle component relative to the ownership of hotel properties, where let's say 70% of top luxury properties carry international brand that's attached with them, but very few are actually owned by that brand. Those are mastheads. They are franchise deals, which are done and executed very well. But beneath that, there is a local owner or ownership group that generally owns the physical property and has the responsibility for the finances of that. So, this kind of crisis, unfortunately, could create a situation where that group may have financial issues or challenges independent of what the master brand is.

Italo Zanzi: That's something the consumer won't see because they will say, "I'm going to stay at brand A, brand B, brand C in anywhere in the world." They trust that brand, and that's perfect because that's actually the model. But if all of a sudden the person who is supposed to make the rent payments or supposed to make all of P&L responsibilities come to bear has issues, which they might, because generally speaking, people are very, let's say, invested in a lot of things, then that could be a major issue for certain properties, not necessarily for certain brands.

Ryan Morfin: Yeah. So, the question in the math, I guess, is, do you mothball? Are people mothballing hotels and turning off entire floors, and then just keeping the maintenance staff in place? Or are they keeping a skeleton crew so that they don't lose the... Because at a luxury hotel, you have to hire the right person with the right customer skillset who's got the right look and patience, if you will, for what could be a very impatient demographic of customer.

Italo Zanzi: Yeah. Look, I think the groups that we've talked to are taking a very measured, appropriate approach, which is they've had to put some people on, let's say, temporary leave, particularly on the sales and growth side, which is a challenge and difficult for everybody. But I think they find that balance of, hopefully, taking care of them. I don't know the details, but then also keeping the physical property in, at least, working order and kind of become a bit of an accordion in that when they open, they're ready to go right away. Because what you can't have is a situation where...

Italo Zanzi: Here in Miami, they made an announcement yesterday that the hotels will open first week of June. Well, you can't be not ready. You have to be ready to go. It's actually even more difficult because not only will your guests expect the same

super standard that they had expected before, but then on top of it, they're going to expect a level of what's called health-related or a hygienic curation that was never part of the equation before. They were all super in terms of, let's say, traditional upkeep, and cleaning, and hygiene, but now with the heightened sensitivity and rules, there's, I'd say, a technological piece to it. There is a healthcare piece to it. There is a training piece to it because it's people that have to do these things.

Italo Zanzi: As committed as employees all these companies have, they all need to be trained and enabled. So, there's going to be a bit of give and take. But look, the reality is I think the people want to go back to enjoying themselves. I think that the luxury sector still has a lot of liquidity in it. There certainly are macroeconomic concerns for everybody. So, yes, there might be some pressure against the spending, but at the same time, you do have people who have been locked in their apartments or homes who want to enjoy.

Italo Zanzi: So, I think it will be gradual, it'll start with more local than international. That's by definition. Right now an American can't go to the EU, and an EU can't come to the United States. So, those things, hopefully, will subside and the equivalents of those around the world, but at least the properties will be open. They'll be running, and hopefully, they'll be able to scale their operations to a point where they're economically feasible to survive what, hopefully, will be a onetime crisis. But that remains to be seen. That's part of the larger question, as you know better than I, in terms of the overall economies as to whether we can find a cure or we can find a vaccine, in which case, I think everything goes back to normal pretty quickly.

Ryan Morfin: Well, I think you bring up a good point. Is this a onetime pandemic, or are we moving into the future where the urbanization of all these people in these mega cities is going to lead to more viruses that spread through a globalized world? I'm hoping the global demand get the governments to start focusing and investing on things like this, like consumer confidence around health standards, or going into a hotel room and trying to figure out if you fumigate it or just wipe it down, or do you...

Ryan Morfin: I'm one of those guys when I go travel, I don't like to sleep on the sheets of the... or sit on top of the duvet cover, because they sometimes don't wash those, total germaphobe. Watching that movie... What was that? Ocean's Eleven when they're doing the wand of the room with all those bedbugs, saw that, I was like, "Never sleeping on the hotel bed again." But yeah, I think that's going to be top of mind.

Ryan Morfin: So, going back to what you said about gradual recovery of the hotel industry, I agree with you. It's going to be local, like going to the local resort down the street, upstate, downstate,

Italo Zanzi: Right, or local flights where even if you lived in Texas, but you went to Florida or you went to California whenever they reopen, you know that you're still within

your own country's healthcare system, you know you can get back. Because to your point, you never know when something can spike again. So, for at least a little while there's going to, I think, be also that kind of conservatism and where do I choose to take not only yourself, but your family. So, you're a father, you're a husband, and I'm sure like most Americans, you even take a different level of care for those people close to you than you do for yourself that you may take certain more risks.

Ryan Morfin: No, that's absolutely right. We have family in Europe and question is, can we go see them? Well, I don't know. I mean, could you get stuck there and not see your kids, or not be able to work? That's a big question.

Ryan Morfin: So, a lot of the hospitality companies, rather, we talk to are talking about a 12 to 18, 24 month recovery for the industry. But on the luxury side, I think people have access to private jets and will probably... That market's turning back on. I know people are starting to fly around the country now for entertainment or for business. They're trying to avoid the big airports. Are the marketing strategies changing for the high end of the market? Are they going towards more micro-targeted approach locally? How are the owner operators of these high end brands shifting marketing resources.

Italo Zanzi: Frankly, I think it's a little too early to tell. Partly because you've astutely identified that even within luxury, there's tiers of luxury. But I think what's happened over time is most of the commercial properties, at least in the luxury hotel space, have become, by definition, very large because they've been able to tap into both the aspirational, let's call it entry level of the luxury market, and then the uber-wealthy. So, I think what the challenge will be is they are built for scale. So, even if you have 10 or 15% of their customers that can fly around a private jet, you still do have the lion's share of them that are, even if they're very well to do, are flying commercial, and they have the same considerations we just talked about.

Italo Zanzi: But these hotels have to have everything firing in a positive way for the environment to actually make sense. By the way, a lot of people who go to these hotels don't just go there for great food or great service, but they go there for the ambiance, and they go there for the special environment that's produced. So, it remains to be seen whether let's call it, a socially distanced hotel experience is actually something people continue to find enjoyable and attractive.

Italo Zanzi: I think that's the challenge also for restaurants. People went to restaurants, not because they can eat something that tastes good. These days, you could have it delivered to your home if you would like. So, the food with the exception of maybe the delivery window is relatively the same. So, it's a question of, can you replicate the experience? The reason people go there. It can be partly exclusivity, partly social, partly being able to share that with their friends and counterparts on social media. There's a lot of reasons why people participate in luxury marketplace. Access and, let's say, the direct service is only one of them.

Italo Zanzi: I don't have an answer for you today, because I think that remains to be seen as the entire process plays out. But I will say that I think barring another collapse in terms of economic pressure, generally speaking, the liquidity should be there, generally speaking, the will should be there. So, I think that if there is a... at some point, we have a relative comfort level that this pandemic from a direct health risk is behind us. There's always a chance of another one coming, for sure. But if it's not this one that is front and center in terms of there being a problem, then I think you will have a very fast rebound in terms of people's willingness to stay in spend.

Ryan Morfin: Yeah, I think from a consumption standpoint, if you look at the properties that have isolated villas that are spread out, I think those are going to probably be the ones that come back the fastest. Because I think even in multifamily investing, we've done a lot of all the attractions of going into a high end building with all these common amenities. I think you may have a small square footage apartment, but you have all these beautiful amenities. I think people are saying today, "You know what? I don't want to be around a whole bunch of other people until I have more confidence in the health system. Let me be more [crosstalk 00:15:11]."

Italo Zanzi: I agree, but again, I go back to... and maybe this is just a personal thought that people have short memories and people are, by definition, social. So, I think it's very easy to say, "Yes, people are very happy sitting around by themselves in a luxury villa," but that is often not why people go and travel. They want to be around other people. They want to see, they want to meet, they want to promote themselves. That's just part of the human nature these days.

Italo Zanzi: It is a little bit of a conflict with, let's call it, health-related concerns in a very good, well-founded way. But if those health concerns dissipate or they're eliminated, at least, for the short term, hopefully, science will deliver some level of solution at some point. At that point, yes, there will be certainly some people that take the uber conservative route and say, "You know what, I don't want to be around anybody." But in the end, I think people, again, absent a direct risk, will take on that uncertainty and return to the behavioral things that people have been proven to invest in their own time and money. Because there is that old adage, "You only live once," and I think that that is almost a subconscious way people do live.

Ryan Morfin: Yeah, no doubt. I feel bad for all those Instagram influencers who are now out of work. One question for you is, does this, I guess, healthcare hygiene cleaning standards at the big brands, is that a competitive advantage for some of the disruptors like Airbnb that are trying to get into the luxury market?

Ryan Morfin: If I'm looking at Airbnb right now... and I've talked to friends of mine who have to travel for family reasons, don't want to stay at a hotel, they're going through the mental math. Well, at least at a Marriott or a Starwood property, I know that there's some recourse. If it's an Airbnb, it's just... Joe Schmo down the street has a nice villa. Do you think this is going to put substantial, downward

pressure on Airbnb? How do you think that's going to impact some of those kinds of...

Italo Zanzi: I think it can go both ways. I think your point is well-taken in that with Airbnb, you are in a fixed place. Like you, everyday I read different takes on the possibility of contracting the virus through touching surfaces, nonhuman to human contact. If we were two months ago, everybody thought if you touch a door knob, you might contract the virus. Now the CDC says, "Well, it's probably not going to come through that way."

Italo Zanzi: We don't know, somebody could come up with a different theory in about a month from now. So, I think you're right in one way in the sense that the curation of the home would not have that kind of, let's say, corporate stamp of approval. So, that could be a challenge. But the flip side of that is, if people are focused on just having a more private experience from a human standpoint... Because no matter what you do at a hotel, unless it's a very boutique hotel, you are going to come in contact with more people. So, you're going to have somebody who's going to come and take your bags. You're going to have somebody who comes and checks you in.

Italo Zanzi: No matter how private they try to make those things, there are a series of actual conveniences that are present to the consumer, whether somebody wants to use the gym or the pool. So, I think there's a balance, and I'm not sure it's going to swing one way or the other, frankly. I think yes, the question of the reliability of Airbnb in terms of who... Let's not say Airbnb because it's unfair to their company, but let's say private stays that are owned homes will come down to almost a leap of faith or a risk calculation that a consumer makes on that particular host.

Ryan Morfin: I don't know if you touched the luxury transportation market at all, but like jets, private jets. Some brokers we've talked to have said that activity levels are way up and pricing is coming way down as a substitute, if you will, for flying in business class.

Italo Zanzi: That's correct. I think that there will be... for those who can afford it, there will be a really strong growth in private air travel. I also see, whether it's purchasing or renting, the private boat charter business and boat ownership business actually being pretty strong as well. Because, again, it's about creating a private enclave for yourself, your friends, your family, and trying to create a situation where even if you aren't safer, you feel safer. So, there's... how would I say this? There's a substantive part of that calculation, which by the way, very few people know, and even the biggest experts in the world.

Italo Zanzi: And then, there's the perceived risk, which can be as, or more important. Because if you're going to be somewhere but have an anxiety that something bad is going to happen or could happen, then at some point, the benefit of doing it is outweighed by that, versus if you could put yourself in a situation rightfully or wrongfully, where you think you're safe, then you might enjoy

yourself. So, it remains to be seen, I think, but certainly those environments where people have some level of separation, some level of exclusivity, I think, are going to grow.

Italo Zanzi: Generally speaking, the people at that top of the economic pyramid are less directly impacted by the economic dips associated with this crisis. So, they're less price-sensitive to what might occur deeper down into that pyramid.

Ryan Morfin: Yeah, it's interesting. A lot of the bookings for carnival and some of the cruise lines have been wiped out this year, but they're getting pushed to 2021. I've also started to see like Ritz Carlton's going out and you're doing a new a high end yacht experience for like 10 to 20 couples on a big boat. Are you seeing any uptick in that part of the market or you've come across it at all?

Italo Zanzi: I think it's too early. I think it's too early. People might, interestingly enough, take advantage of refundable opportunities to lock in experiences for the future. I mean, there's a lot of people out there not only in boats, but in, let's say, first-class air travel, just locking in trips places at prices that are dramatically lower than they were ever available for with the opportunity to then refund them. And then the hotel space as well.

Italo Zanzi: So, I think you do see a lot of people getting ahead of it and saying, "Well, I can get something for 60% of what would have cost previously, and then I could always cancel it." But to go back to your question, I think, yeah, the more private it is for now, the more attractive it will be. But I would say also that many of those excursions that you've referenced are not only a boat trip per se, and boat is probably an insult to the yachts that people stay on. But it's more about like... they have still to get there, right? So, they still have to fly to a pretty remote part of the world.

Italo Zanzi: So, if it's in connection with a private jet, it's one thing, but you're talking about having to go through multiple countries, usually with different restrictions or permissions in terms of entering a country schedules, very finely-tuned connections. Generally speaking, the more exotic it is, the harder it is to actually deliver it and activate it.

Italo Zanzi: So, I think there's a balance between something that sounds great in theory, and then you say, "Okay, well, we have to get 24 hours from where we live with four people and luggage in the middle of a matrix of health-related challenges and governmental restrictions." So, there's nothing wrong with planning it, it's just a question of being conscious that, "Hey, you know what, we got monitor this week by week or month by month to see if it'll actually be able to happen."

Ryan Morfin: Well, it's interesting. I used to travel a lot, so I guess I've gotten onto some travel lists. So, I've started to get marketed by like high end train lines running between major cities now, which I thought was interesting, which was never an option. I never thought... But now I'm starting to consider it. I'm like, "You know

what, maybe I don't want to go through O'Hare Airport, but I need to get to Chicago. How long is that train ride again? How do I do that?" So, it's going to be [crosstalk 00:24:28]-

Italo Zanzi: Knowing you, Ryan, you would you get behind the wheel and drive the, whatever it is, 22 hours with no breaks and way too much coffee, right?

Ryan Morfin: Yeah. Oh, no, that's just true. People are driving longer distances to go be with family. Well, speaking of entertainment, and I said, getting together with family is entertainment. You're a sports executive, a media executive, you worked at big places, international soccer, major league baseball. Given this environment, we've just seen PGA come back a little bit, the Bundesliga in Germany, NASCAR's coming back on. We're a very sports-centric culture in the West. Maybe you could give me some thoughts, share some thoughts with our viewers about what is the future of sports? What are the conversations that are going on on sports media? How do we get entertainment back? Because there's only so much Netflix I can take.

Italo Zanzi: I think you've probably running out of content, right? No, you're absolutely right. How would I say this? It's not about how we can get it back, it's more question of what's possible when. I applaud, I'd say, all of the leagues and enterprise in their prudence because the risk of this pandemic goes beyond their P&Ls. They're bringing people, and families, and children, and all of the people they come in contact with afterwards into an environment that could, unfortunately, create a substantial life or death situation. So, it's not one to be taken lightly, and thankfully, it hasn't.

Italo Zanzi: That said, as you hopefully get towards, let's say, the exit phase of this pandemic, it's that balance between delivering a product to the fans while keeping everybody safe. I think the Bundesliga has done a terrific job. I mean, a really superb job. If you read some of the articles that are out there now about the behind the scenes work the league did in terms of just making sure everybody understood not only how to build the best plan, but that every person within that environment had a responsibility to make sure that the whole system worked because any irresponsibility at any part or any kind of, let's say, negativity could destroy everything. They've been able to give back quickly to people an important part of their lives, which was to be able to watch live sport.

Italo Zanzi: Now, while they've made tremendous advances, the overall industry has an enormous long path to go. I think you're going to have a situation where every league is going to have to really dissect what makes sense for them. It's an extraordinarily complex issue. The economics associated with it, and the fan experience component are somewhat separate but related. So, most of these, let's say, leagues or properties can go on without fans.

Italo Zanzi: I would say if we take a look at the economics of clubs or enterprises, that's going to be a call that the owners are going to have to make in conjunction with

their players or their athletes, because those players and athletes still have health-related concerns, but same time, they want to get paid. I don't think... If you really cut to a economic core question that really isn't being talked about is, if a league or an enterprise rightfully weights or floats to make a decision, do players get paid or not? Do athletes get paid or not? Because that indirectly or directly will impact the viability of the overall enterprise and the individual teams.

Italo Zanzi: You could argue theoretically that there's many European football clubs that lose a lot of money, and that if this had happened in May or June, and somebody would have said in July, "We're canceling the entire season, nobody gets paid their salaries, there is no revenue," paradoxically, there would be some teams that are better off because they lose money. Generally speaking, 80% or 90% of their costs or direct costs are labor. Then, you have to think of, of course, the player's interest. Here you have players who are training, making themselves available, even if the games aren't going on.

Italo Zanzi: So, I'm not taking a position, I'm just highlighting the two different realities. So, what is, I guess, the right of sports labor to be paid during holding periods and/or shortened seasons. The answer to that question may actually determine the overall economic result and viability for a lot of clubs and leagues. Then, you've got a whole question of what do you do about the fans who want to come see the matches.

Italo Zanzi: There's two pieces to that, or maybe three; what are the clubs and leagues allowed to do? These are the government rules and regulations. What is actually practical given the circumstances of a stadium? You really can't police the behavior of 60 or 30,000 people once they walk into a place. And then, there is the behavioral desires of fans, which, in some ways, is a bit easier because fans can decide to do something or not do something. They can go to a game or they can not go to a game.

Italo Zanzi: I think there's no doubt that this is going to create economic. There's no doubt it's going to create frustration on the part of fans who want to see their teams. I think every league, and every team, and every, let's say, enterprise is going to have to really look at how do they make the best decision for their circumstances. Because they're not all the same.

Italo Zanzi: Unfortunately, there is an urgency, right? Because you can't replace time, particularly as it relates to the athletes. The average, let's say, career of an athlete across sports, if I had to guess, five years. Sure there are some that play 10, there are some that play two, and somewhere in between. So, five might not be the right number, but it's probably somewhere in there. You have a player that will lose one year of their earnings, that's 20% of probably the majority of their life earnings. So, that consideration.

Italo Zanzi: Then on the contrary, they have their health considerations, and that's something players have to think about. Then, it's a question of the clubs. Do the

clubs feel like they need to do more for their fans or to protect their fans? That's almost a philosophical issue. So, I'm not here with an answer because I don't think there is an answer for every particular sport. There's different logistical dynamics, there's different economic dynamics. But I do think by and large, they've all been pretty responsible, and not one rushing into creating undue risk for people.

Italo Zanzi: But now is the time where there's a lot of really difficult conversations that are going to be had to be had. They're not the feel good press release conversations. They are the brass tacks numbers conversations. I think that will start with management/ownership and labor.

Ryan Morfin: Yeah, no, I think that is a critical point. So, there was this baseball player, I think in Tampa, a pitcher who was just... I don't want to say lambasted in the press, but he came out and said, "Listen, I make a lot of money, and I'm not going to go back and play to put my health at risk." But you just brought up a great point. Well, he's also putting his economic earnings at risk.

Ryan Morfin: So, baseball, I think, is one of those sports where you absolutely have to have fans in the seats because the revenue model is more geared towards that. How is soccer? Is soccer one of those sports you can do... maybe, I guess in Europe and the US is different, but could you... Does Bundesliga make money, which is the TV rights? Is that going to sustain the cost structure of the clubs? Or do you think they're still losing money as a league to go back on without the ticket revenue?

Italo Zanzi: That's a great question. Look, if you don't have people in the seats, you are going to have a substantial impact on revenue, and let's call it ancillary revenue drivers such as merchandising, local sponsorship, in-game sponsorship, concessions, all of those things. That percentage will be smaller the bigger the enterprise is. So, if you go from a division one of any league to the third division of any league, the division one makes a disproportionately larger percentage of their money based on the domestic international broadcasting, whether it's, let's say, traditional television or digital and national sponsorship, which can often... you'll still be delivered. Because a lot of it's the field boards. A lot of it's the consumer activation.

Italo Zanzi: Maybe that those companies aren't as liquid to be able to continue those sponsorship. That's a different conversation we should have in terms of what the supply side looks like. But they still will take a, let's call it a 15 to 20% hit, if not more, on the gate receipt components of their revenue. And then, as you go down the pyramid, then by the time you get to a second and third division, that's inverted. Those clubs will take in 60 to 80%, if not more, of their revenue from the gate receipts.

Italo Zanzi: So, you've got a really challenging problem overall. The key issue for football, I think, is two things. One is what is the agreement with labor? What is your agreement with their players? You almost have to do that on a rolling basis. One

of the challenges I've seen is a lot of the clubs out there are making these snap deals with their players saying, "Oh, we have an agreement with the player." Well, how can you have an agreement if you don't know what the reality is going to be?

Italo Zanzi: It almost needs to be a kind of a... In my opinion, it should be a pro rata discussion or, let's say, formula based on what the relatively reasonable anticipated revenue is, and then what it ultimately becomes. You can't make a deal if you don't know if there's going to be a season or not.

Ryan Morfin: Well, it's interesting question. Can a team in the league... Let's just go and say Liverpool for... I'm not making names up. Could a team in that type of a league just say, "I'm going to fire all my... because there's no season, I'm going to fire the rest of my employees and like a reduction in force." And then when the league gets around to getting back organized, go retry to rehire people and renegotiate all contracts, or that, by the league statute, cannot be a labor consideration?

Italo Zanzi: Well, I think if you're talking about employees as being players, like putting aside not on-field personnel, because I think that's covered probably more by English labor law than it is by anything else. By the way, player contracts might be as well. The issue would be that the value of players is not only the fact that they play on the field for you, but it's that they have a very specific asset value to them.

Italo Zanzi: So, if clubs started doing that, they would actually create a much worse situation for them because they would effectively release players into free agency that have a seven or eight figure value to them, and it would be actually destroy the underlying economic asset value of the club. So, I think for everybody, it makes sense to come to some sort of agreement. My point was only that I think it's premature to come to a longterm agreement if you don't know what the circumstances are, unless you build a contingency that pegs it to the ultimate results.

Italo Zanzi: The other thing I would say... Sorry... about football is that you have a large number of clubs that are leveraged and often over-leveraged. So, if you say to a business, "Listen, you're going to take a hit on 20% of your revenue for four months," if it's a business that is liquid, that has reserves, that could adjust costs in different places, whether it's marketing or labor, then they can manage that probably for even a decent amount of time. But if you've got entity that is leveraged and has enormous debt service payments, that can't get more liquidity because their max out on their debt, then you've got a real problem. Then you've got a viability problem.

Italo Zanzi: The problem in football is that, let's say, that normalization of standards for clubs and their economic standing is not what it is in US leagues where the leagues take a much more active approach in terms of monitoring and regulating clubs spending, one, and two, economic conditions.

Ryan Morfin: Yeah. I think you highlighted the asset value of the celebrity athletes. There's, I guess, a lot of leverage that the labor has and that side of the labor force over the owners. So, you can't just-

Italo Zanzi: By the way, they're not always celebrities. These are players who actually play very well. So, if you have a player who you own, or contracted under you for another two or three years, and that player, pre-COVID, has a market value of 30, 40 million euros, well, you're not just going to say, "I'm going to stop paying this player, and I'll let them go figure it out." The player wouldn't be thrilled. I think he'd probably, rightfully, be pretty insulted, but he would find an employer that would probably pay him more, but you would lose your asset.

Ryan Morfin: Speaking of players as assets, just where are some of the best soccer being played globally? Are there some surprising new markets that are opening up in Africa, or South Korea, or China, Middle East? Are there interesting new markets that are popping up from a player development standpoint that you think are interesting?

Italo Zanzi: Yeah, I think the top leagues in Europe are always going to be, by definition, attracting the best players. So, I think you often have to look at these kind of questions in terms of are you focused on player development? Are you focused on the actual, let's say, competition and how compelling the league is? Are you focused on economic opportunity?

Italo Zanzi: The Middle East has built out a lot of leagues recently. They don't have a big following, but they do invest very substantially in bringing great talent there. So, you have a lot of great talent, but you don't have necessarily an environment of tens of thousands of people in the stadium supporting their club. On the flip side of that, one of my favorite leagues to watch is Argentina. Because you have effectively the stars of tomorrow playing who are as good or better than the ones who are already in Europe, but they're playing with a passion and a hustle that is unparalleled. Let's say the passion of the fans and the followers is top in the world than any sport. So, to me, if someone were to say to me, "Tell me what league to watch outside of the top five or six in Europe," I would say Argentine league 100%.

Ryan Morfin: That's good. I'll have to check that out. Well, as we look into the crystal ball in the future, what are some things that you're optimistic about how we're going through this crisis? Where are some of the silver linings, in your opinion?

Italo Zanzi: I think human resiliency is at the top of that list. I think people were and are rightfully concerned about their and their family's wellbeing in terms of their health and happiness. But I think as time goes on... In reality, if you think of the big picture, you're looking at so far a couple months of challenge for the world, which is not an extraordinarily long period of time. This is by... Sorry, certainly, I should have started with this... by no means to be dismissive of the horrible tragedy that's taken so many people's lives. This has been an absolute horrific

situation for so many people around the world, but everyone at some point has to look forward.

Italo Zanzi: I think if you look at history and the things that people have faced, or, let's say, communities and populations have faced in the past, the human spirit has always endured one way or the other, and there's been a recovery. So, again, if you look at the amount of time that the world and countries have been under pressure, this is still not that long a period that we've been in this.

Italo Zanzi: Personally, I hope that our collective international minds, people who are much smarter than I, can come up with solutions in terms of treatments and/or vaccines to be able to prevent this. I think even after, yes, will there be a heightened concern about this happening again? Sure. I'm not a scientist, but I think if you did find a cure for this, it's not that there's a greater likelihood something else is going to pop up tomorrow. I think that's the piece we have to get to. I think that's the hope that most people have that there is a termination point where we say. "You know what, a year from now, COVID is a remote risk, very remote risk, or no risk at all."

Italo Zanzi: Frankly, I think... I was talking with a colleague the other day, I think one of the biggest challenges is going to be when we do have treatments and/or vaccines, this is probably the first time that that will have to be distributed to everybody in the world. So, if there's seven and a half billion people in the world down to the most remote, to the most neediest, we're going to have to distribute, and should distribute, the cure or the preventative remedy for everybody in the world. That in itself is a massive undertaking. That in itself, I think, should be planned now.

Italo Zanzi: Because what wouldn't be fair is that we find a cure and everybody's sitting in New York, London, and Tokyo, yeah, they're fine, but we leave Africa, Southeast Asia, Latin America to their own devices. Actually, executing that delivery of whatever the solution might be is not easy. There's a human-to-human interaction there. So, those are the kinds of things that worry me in addition to give me hope that sometime soon we'll have a solution, but it's like how do we roll that out?

Ryan Morfin: What books are you reading right now, or what podcasts are you listening to, or literature?

Italo Zanzi: Non-Beta Alpha. Everyday, all day.

Ryan Morfin: There you go.

Italo Zanzi: [inaudible 00:44:39] question, Ryan.

Ryan Morfin: Checks in the mail.

Italo Zanzi: Actually, I've taken the time more for personal development of skillsets that I hadn't had before. So, I'm doing a lot of online training, whether it's in digital advertising, marketing, trying to learn as much. I'm a bit of a historical war junkie as it comes to YouTube content and stuff like that, so that'll never change. But in terms of my own development, I've always been more about, say, practical application than theory.

Italo Zanzi: So, I don't read a lot of maybe the same books that others do. I try to actually read the synopsis or the opinions of other people on those things that give me the takeaways. But what I actually do is I dig into the plethora of training that there is out there online as it relates to, and particularly in my case, reaching consumers through the different digital tools out there. So, that's how I spend my time in addition to a lot of other stuff.

Ryan Morfin: Italo, thanks for joining the show. We appreciate you coming on. We'd love to have you back in weeks.

Italo Zanzi: Fantastic. Thanks, guys.

Ryan Morfin: Thank you for watching Non-Beta Alpha. Before we go, please remember to subscribe and leave us a review on Apple Podcasts or our YouTube channel. This is Non-Beta alpha. Now you know.

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