

# WENDY'S

BRAND NEW 20-YEAR TRIPLE-NET (NNN) SALE LEASEBACK



# OFFERING MEMORANDUM



9981 US-64  
Arlington, TN 38002

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## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Wealthy Suburb of Memphis with Strong Growth Ahead | Population in a One-Mile Radius is Expected to Increase by Over 20% Over the Next Five Years
- ✓ Robust Demographics | 84,994 Individuals Reside within a Five-Mile Radius with an Average Household Income Exceeding \$98,000
- ✓ Highly Trafficked Location with Convenient Access to Interstate-40 | US-64 Experiences Average Daily Traffic Counts of 47,865 Vehicles
- ✓ Close Proximity to Wolfchase Galleria Mall | Over 130 Specialty Stores

## LEASE

### LEASE STRUCTURE

- ✓ Brand New 20-Year Sale Leaseback
- ✓ Triple Net (NNN) Lease with Zero Landlord Responsibilities
- ✓ Attractive Rental Increases | Lesser of Change in CPI or One and a Quarter Percent (1.25%) Annually Starting in Year 3
- ✓ Six (6) Tenant Renewal Periods of Five (5) Years Each

## TENANT

### TENANT / GUARANTOR

- ✓ Meritage Hospitality Group is an Experienced 318 Unit Operator
- ✓ Premier, National Growing Franchise with Operations in 16 States
- ✓ Expansion into Key Markets
- ✓ Proven Track Record with Operational History of Multiple High-Volume Locations throughout the Country
- ✓ Public Company Guarantee (MHGU)
- ✓ Strong Brand Recognition | Wendy's is the World's Number Three Hamburger Chain
- ✓ Founded in 1986



# Financial Analysis & Investment Summary *Wendy's*

PURCHASE PRICE: \$3,181,818 | CAP RATE: 5.50% | RENT: \$175,000

## THE OFFERING

Purchase Price	\$3,181,818
CAP Rate	5.50%
Annual Rent	\$175,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	9981 US-64
City, State ZIP	Arlington, TN 38002
Building Size (SF)	3,037
Lot Size (Acres)	0.83
Type of Ownership	Fee Simple

## LEASE SUMMARY

Property Type	Net-Leased Restaurant
Ownership	Public (OTCQX: MHGU)
Tenant / Guarantor	Meritage Hospitality Group
Lease Term	20 Years
Lease Commencement	Day Following Close of Escrow
Lease Expiration	20 Years from Close of Escrow
Lease Term Remaining	20 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Six (6), Five (5) Year Option Periods
Rental Increases	Lessor of Change in CPI or 1.25% Annually Starting Year 3

## RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation
Year 1	\$175,000	\$14,583	-
Year 2	\$175,000	\$14,583	-
Year 3	\$177,188	\$14,766	1.25%
Year 4	\$179,402	\$14,950	1.25%
Year 5	\$181,645	\$15,137	1.25%
Year 6	\$183,915	\$15,326	1.25%
Year 7	\$186,214	\$15,518	1.25%
Year 8	\$188,542	\$15,712	1.25%
Year 9	\$190,899	\$15,908	1.25%
Year 10	\$193,285	\$16,107	1.25%
Year 11	\$195,701	\$16,308	1.25%
Year 12	\$198,147	\$16,512	1.25%
Year 13	\$200,624	\$16,719	1.25%
Year 14	\$203,132	\$16,928	1.25%
Year 15	\$205,671	\$17,139	1.25%
Year 16	\$208,242	\$17,354	1.25%
Year 17	\$210,845	\$17,570	1.25%
Year 18	\$213,481	\$17,790	1.25%
Year 19	\$216,149	\$18,012	1.25%
Year 20	\$218,851	\$18,238	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 9981 US-64, Arlington, TN. The property consists of 3,037 square feet of building space and is situated on approximately 0.83 acres of land.

The tenant will enter into a brand new, 20-year triple-net (NNN) lease with absolutely no landlord responsibilities upon the day following the close of escrow. The lease will call for rental increases that will be the lesser of the change in CPI or 1.25% annually starting in Year 3. The rental increases will continue through the base term and into the six, five-year tenant renewal options. The lease will carry a guaranty from Meritage Hospitality Group, an experienced 318 unit operator and the second largest franchisee in the Wendy's system.





# Concept Overview



## About Wendy's

**Wendy's** was founded in 1969 by Dave Thomas in Columbus, Ohio. Dave built his business on the premise, "Quality is our Recipe," which remains the guidepost of the Wendy's system. Wendy's is best known for its made-to-order square hamburgers, using fresh, never frozen beef, freshly-prepared salads with hand-chopped lettuce, and other signature items like chili, baked potatoes and the Frosty dessert. The Wendy's Company (NASDAQ: WEN) is committed to doing the right thing and making a positive difference in the lives of others. This is most visible through the Company's support of the Dave Thomas Foundation for Adoption and its signature Wendy's Wonderful Kids program, which seeks to find every child in the North American foster care system a loving, forever home. Today, Wendy's and its franchisees employ hundreds of thousands of people across more than 6,600 restaurants worldwide with a vision of becoming the world's most thriving and beloved restaurant brand. Currently, Wendy's is the world's number three hamburger chain in terms of locations (only behind McDonald's and Burger King).

## About Meritage Hospitality Group

**Meritage Hospitality Group** is one of the nation's premier restaurant operators, currently with 318 restaurants in operation located in Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Missouri, Mississippi, North Carolina, South Carolina, Ohio, Oklahoma, Tennessee, Texas and Virginia. Meritage is headquartered in Grand Rapids, Michigan, operating with a workforce of approximately 10,000 employees. The Company is the nation's only publicly-traded Wendy's restaurant franchisee and their public filings can be viewed at [www.otcmarkets.com](http://www.otcmarkets.com), under the stock symbol MHGU, or the Company's website [www.meritagehospitality.com](http://www.meritagehospitality.com).



*"Our performance in 2018 was strong, resulting in a record year of profitable growth for the Company on all financial metrics highlighted above. We continued to invest and transform our restaurant business through modernization and new locations, offering guests more conveniences. Importantly, our restaurant operations exceeded expectations for the year, a tribute to our 317 general managers and restaurant operating teams. Results included the incremental impact of 10 new restaurant locations, 14 renovations and the integration of 56 restaurants acquired during the year. Looking ahead to 2019, we are forecasting another year of solid sales and earnings growth, driven by people development, guest count growth and restaurant modernization programs. Operational excellence continues to be our primary focus, utilizing the Company's unique operating platform and restaurant development expertise, while delivering on the Wendy's brand promise of quality, convenience, and value."*

- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





# Concept Overview

Wendy's

## Significant Growth Ahead: Goals for 2021

# 2021

## 420 Restaurants



## \$700+

Million  
Sales

## +39%

5-Year Sales  
Annual Growth Rate

## \$70+

Million  
EBITDA

## +45%

5-Year EBITDA  
Annual Growth Rate

## 2018 Full-Year Highlights:

- ✓ Sales increased 39.3% to \$435.3 million compared to \$312.6 million last year
- ✓ Earnings from Operations increased 75.9% to \$25.4 million compared to \$14.4 million last year
- ✓ Net Income increased 45.6% to \$13.2 million compared to \$9.0 million last year
- ✓ Consolidated EBITDA (a non-GAAP measure) increased 50.3% to \$39.7 million compared to \$26.4 million last year
- ✓ The Company developed or acquired a net of 62 restaurants during the year, to finish with 317 restaurants in operation across 16 states

## 2019 Financial Outlook - Strong Growth Ahead:

- ✓ Sales growth of +10 to 20%
- ✓ Earnings from Operations growth of +10% to 20%
- ✓ Net Earnings growth of +10% to 20%
- ✓ EBITDA growth of +10% to 20%

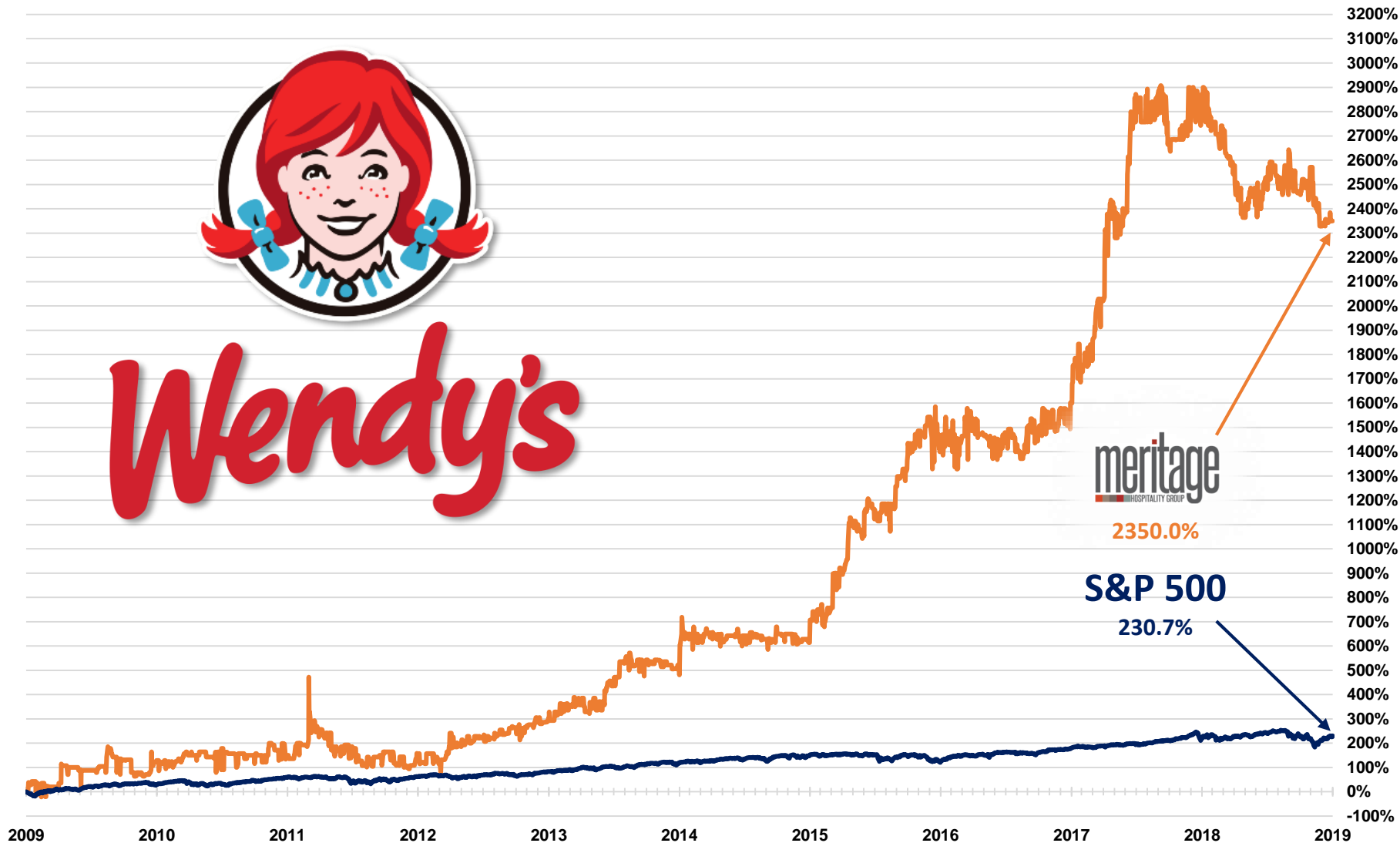
# Wendy's



## 10-Year Historical Performance



# Wendy's







# Surrounding Area

Wendy's







# Location Overview

This Wendy's property is located at 9981 US-64 in Arlington, Tennessee. Arlington is located in Shelby County Tennessee, approximately 20 miles northeast of Memphis.

## SURROUNDING RETAIL & POINTS OF INTEREST

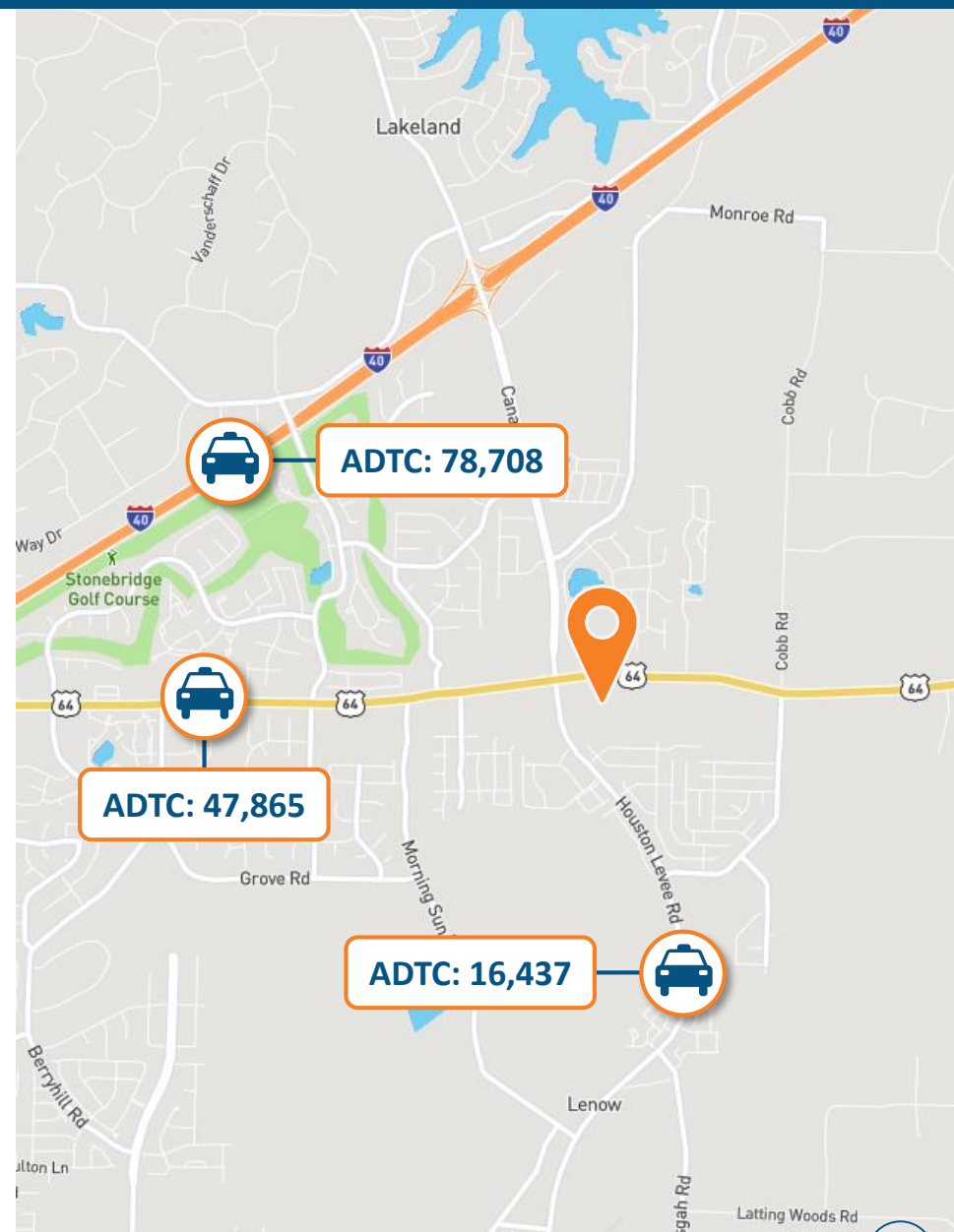
This Wendy's is strategically located along US-64 in the wealthy Memphis suburb of Arlington. The property is surrounded by many major national tenants including Lowe's, Walmart, CVS Pharmacy, Walgreens, Kroger, Taco Bell, and Burger King. To the rear of the property is the Charleston, a newly-developed luxury apartment complex. US-64 provides for easy transportation access to major cities including Oklahoma City, Nashville, and Knoxville via Interstate-40. Additionally the property is just down the road from the Wolfchase Galleria Mall, a Simon-owned premier indoor shopping mall featuring over 130 specialty stores.

## TRAFFIC COUNTS & DEMOGRAPHICS

The subject property has approximately 36,900 individuals residing within a three-mile radius and 84,994 individuals within a five-mile radius of the property. Within that five-mile radius, average household income exceeds \$98,000. This Wendy's is located on US-64, which experiences an average daily traffic count of 47,865 vehicles. US-64 intersects Interstate-40, which brings an additional 78,708 vehicles per day to the immediate area and provides easy access to Memphis.

## MEMPHIS, TN

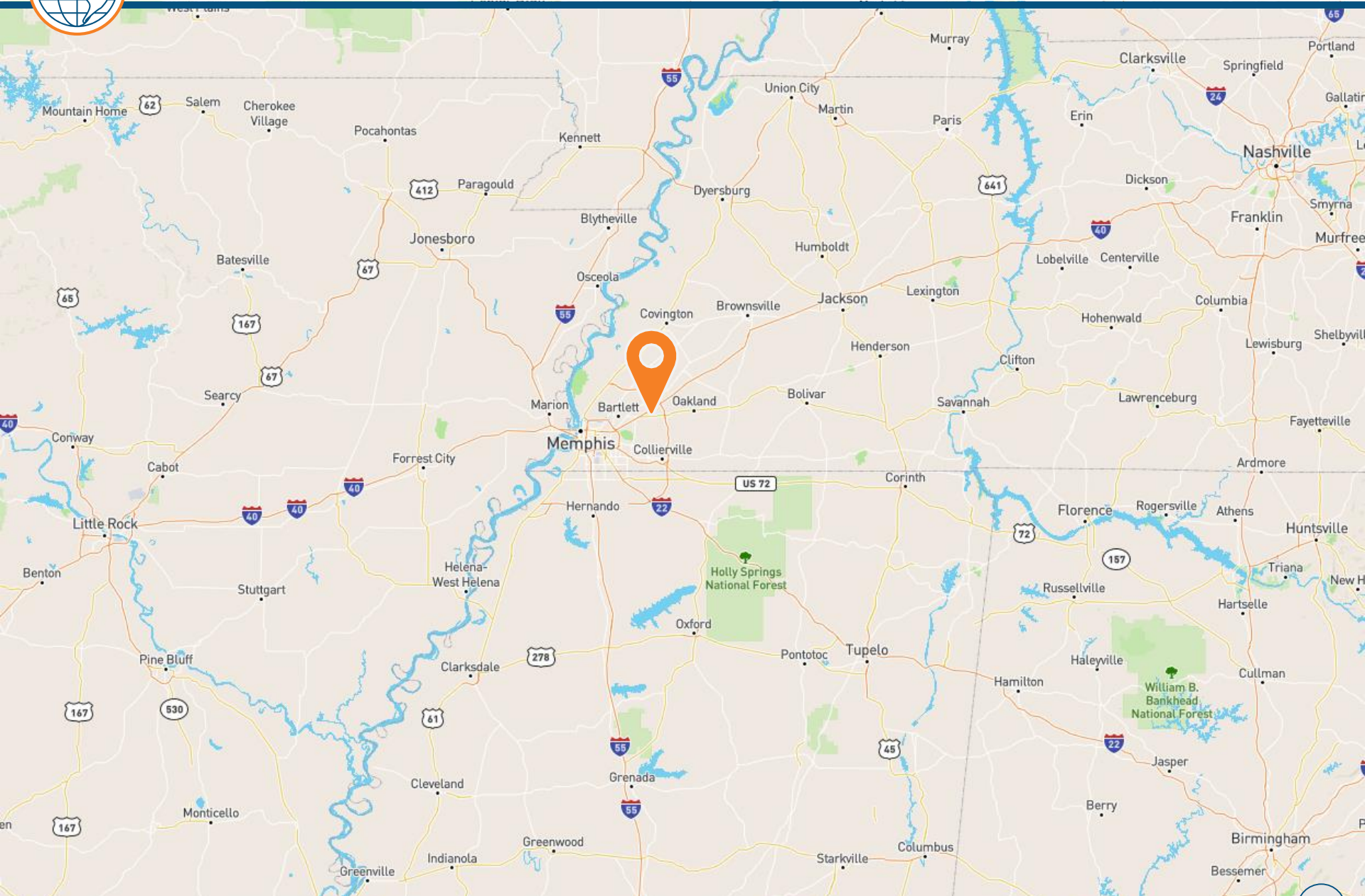
Memphis is the birthplace of Rock n' Roll and the home of the Blues. It's also home to the National Civil Rights Museum, Beale Street, the Memphis Rock and Soul Museum, the National Ornamental Metal Museum and Graceland, the second most visited residence in the United States. Memphis still has a vibrant music scene to this day, with live music each night on Beale Street and in most areas of the city. But music is not Memphis' only export; these days, most goods come through Memphis and its transportation and logistics infrastructure. Not only is the airport the second largest cargo airport in the world – a fact attributable to FedEx's "Super Hub" – but Memphis sits at a crossroads of what is called the four R's: Railroads, Runways, Roads, and the Mississippi River. The city is also home to several Fortune 500 companies, including AutoZone, International Paper, and FedEx, as well as St. Jude Children's Research Hospital and the Memphis Grizzlies. Every year, Beale Street and Downtown's Tom Lee Park are transformed into a sea of music, pork and people during the Memphis in May International Festival. This month long celebration draws tens of thousands of visitors every spring and features the world-famous Beale Street Music Festival, World Championship Barbecue Cooking Contest and several international events honoring a different foreign country every year.





# Regional Map

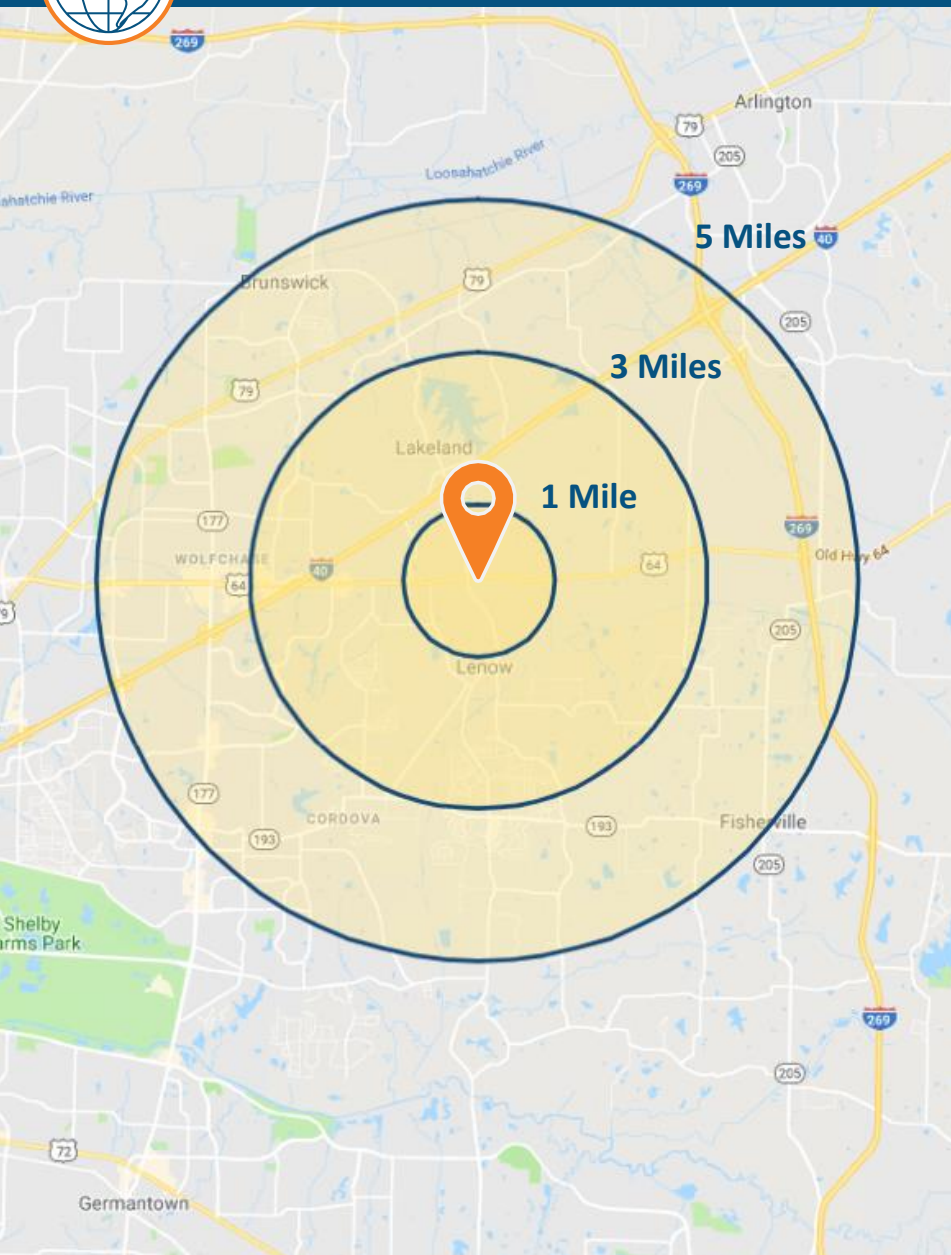
Wendy's







# Demographics



## MAJOR EMPLOYERS

Employer	# of Employees
EFS Transportation Services, Inc.	2,000
Brother Industries (U.S.A.), Inc.	1,200
Institutional Packaging Recycle	1,200
Impact Logistics Inc	850
Enviro USA Inc	560
Methodist Le Bonheur Healthcare	517
D&S Community Services	500
Cheesecake Factory	367
UHS	327
Lakeside Behavioral Health System	325
Lowe's	300
Walmart	300

# of Employees based on 5 mile radius

## DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
<b>Population</b>			
2022 Projection	8,662	43,297	98,660
2017 Estimate	6,996	36,900	84,994
2010 Census	6,478	34,222	79,544
2000 Census	3,137	20,210	49,992
<b>Income</b>			
Average	\$86,800	\$99,096	\$98,651
Median	\$69,954	\$78,285	\$76,011
Per Capita	\$34,541	\$37,363	\$37,237
<b>Households</b>			
2022 Projection	3,499	16,487	37,619
2017 Estimate	2,782	13,880	32,029
2010 Census	2,594	12,953	30,201
2000 Census	1,257	7,492	18,823
<b>Employment</b>			
2017 Daytime Population	4,017	19,821	64,745
2017 Unemployment	3.01%	2.89%	2.97%
2017 Median Time Traveled	30 Mins	29 Mins	28 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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