

# WENDY'S

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



# OFFERING MEMORANDUM



2806 W Kingshighway  
Paragould, AR 72450

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## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Outparcel to Walmart Located within a Dense Retail Corridor | Tenants in the Immediate Area Include: Lowe's, Belk, CVS Pharmacy, Walgreens, Aldi, Dollar General, PetSmart, Tractor Supply Co., Dollar Tree, and More
- ✓ Highly Trafficked Location | West Kingshighway Experiences Traffic Counts in Excess of 22,000 Vehicles Per Day
- ✓ Arkansas Methodist Medical Center | 127-Bed Acute Care Hospital | Just 1.5 Miles Away
- ✓ Close Proximity to Paragould Junior / Senior High School | Enrollment Exceeding 1,300 Students

## 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: \$1,909,091 | CAP RATE: 5.50% | RENT: \$105,000

## THE OFFERING

Purchase Price	\$1,909,091
CAP Rate	5.50%
Annual Rent	\$105,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	2806 W Kingshighway
City, State ZIP	Paragould, AR 72450
Building Size (SF)	2,833 SF
Lot Size (Acres)	0.68
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	\$105,000	\$8,750	-
Year 2	\$105,000	\$8,750	-
Year 3	\$106,313	\$8,859	1.25%
Year 4	\$107,641	\$8,970	1.25%
Year 5	\$108,987	\$9,082	1.25%
Year 6	\$110,349	\$9,196	1.25%
Year 7	\$111,729	\$9,311	1.25%
Year 8	\$113,125	\$9,427	1.25%
Year 9	\$114,539	\$9,545	1.25%
Year 10	\$115,971	\$9,664	1.25%
Year 11	\$117,421	\$9,785	1.25%
Year 12	\$118,888	\$9,907	1.25%
Year 13	\$120,375	\$10,031	1.25%
Year 14	\$121,879	\$10,157	1.25%
Year 15	\$123,403	\$10,284	1.25%
Year 16	\$124,945	\$10,412	1.25%
Year 17	\$126,507	\$10,542	1.25%
Year 18	\$128,088	\$10,674	1.25%
Year 19	\$129,690	\$10,807	1.25%
Year 20	\$131,311	\$10,943	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 2806 W Kingshighway, Paragould, AR. The property consists of 2,833 square feet of building space and is situated on approximately 0.68 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%

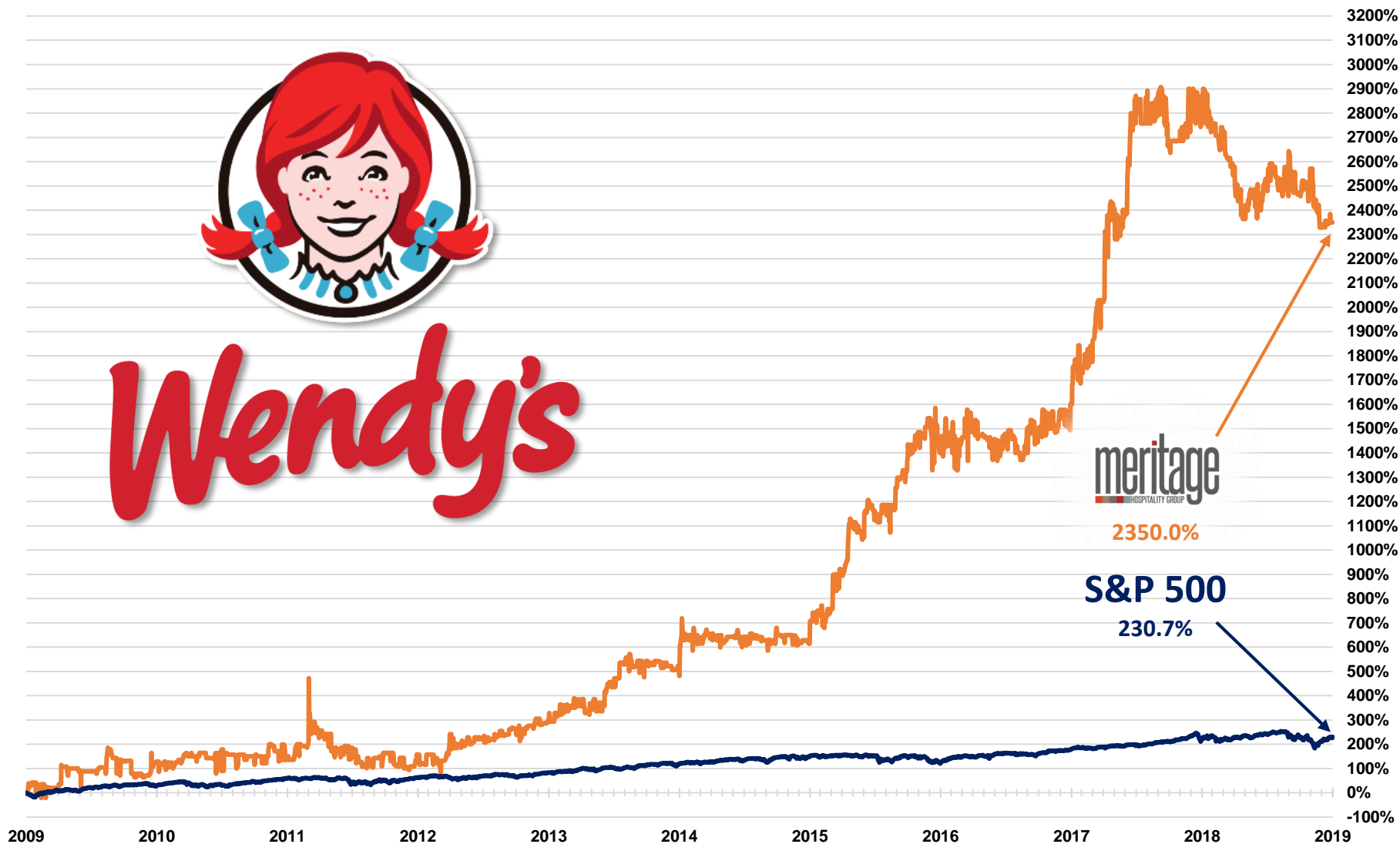
Wendy's



## 10-Year Historical Performance



# Wendy's







# Surrounding Area

Wendy's







## SURROUNDING RETAIL & POINTS OF INTEREST

## TRAFFIC COUNTS & DEMOGRAPHICS

**PARAGOULD, AR**

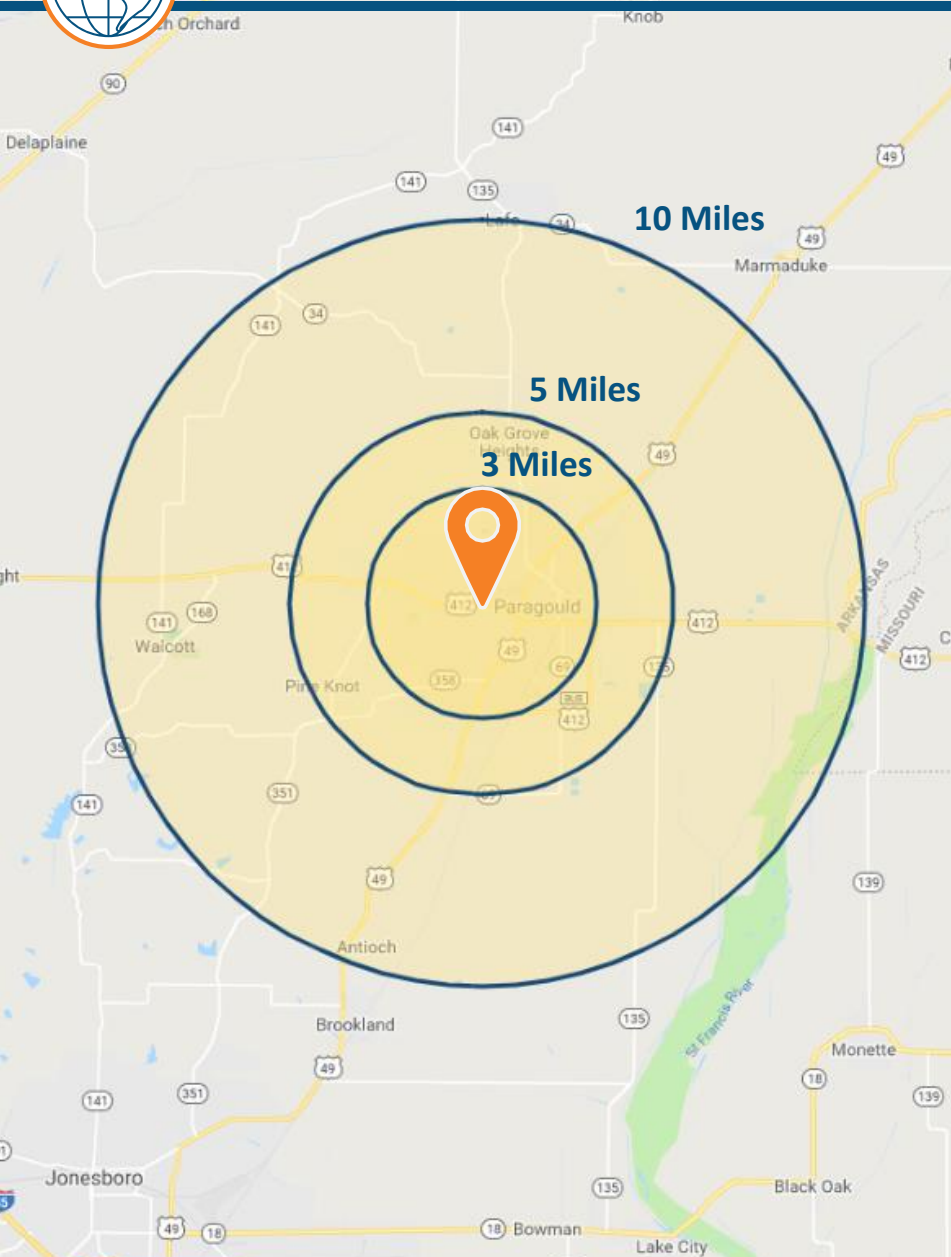
Map of Paragould, AR, showing two car rental locations. The top location is marked with an orange pin and a car icon, with a callout box stating **ADTC: 22,000**. The bottom location is marked with a car icon and a callout box stating **ADTC: 19,000**. The map includes major roads like Reynolds Rd, Carroll Rd, and Highway 49, as well as local streets like W Court St, W Main St, and W Kings Hwy. A yellow line connects the two locations.







# Demographics



## MAJOR EMPLOYERS

Employer	# of Employees
Dayspring Services Arkansas LLC	1,281
Arkansas Methodist Medical Center	672
Anchor Packaging Inc	433
Tenneco	394
District 10-Highway Transportation Maintenance Facility	350
Anchor Packaging Division	300
LA Darling Company LLC	300
Walmart	261
Highway Department District 10	250
Highway Department Area Headquarters	250
Martin Sprocket & Gear Inc	250
Thorco Industries LLC	250

# of Employees based on 10 mile radius

## DEMOGRAPHICS

	3 Miles	5 Miles	10 Miles
<b>Population</b>			
2023 Projection	25,158	33,208	43,714
2018 Estimate	24,368	31,917	41,858
2010 Census	22,544	29,691	38,850
2000 Census	19,805	25,716	33,620
<b>Income</b>			
Average	\$56,372	\$55,915	\$56,998
Median	\$46,629	\$46,764	\$47,929
Per Capita	\$22,743	\$22,010	\$22,334
<b>Households</b>			
2023 Projection	10,174	13,097	17,181
2018 Estimate	9,765	12,484	16,311
2010 Census	9,003	11,574	15,093
2000 Census	8,101	10,258	13,253
<b>Employment</b>			
2018 Daytime Population	30,938	37,005	42,054
2018 Unemployment	4.24%	4.41%	4.25%
2018 Median Time Traveled	19 Mins	20 Mins	21 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING

