

# WENDY'S

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



# OFFERING MEMORANDUM



4200 E Johnson Ave  
Jonesboro, AR 72401

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## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction – Expected to Open September 2019
- ✓ Jonesboro is the Largest City in Northeast Arkansas | Cultural and Economic Center for the Region
- ✓ Within Immediate Proximity to the Greensborough Village | New Mixed-Use Development Project
- ✓ Arkansas State University is Just Two Miles Away | Enrolls More Than 14,000 Students Each Semester
- ✓ NEA Baptist Memorial Hospital | Within Direct Proximity of the Subject Property | 228-Bed Facility
- ✓ Highly Trafficked Location | East Johnson Ave Experiences Traffic Counts of 32,000 Vehicles Per Day

## 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: \$2,181,818 | CAP RATE: 5.50% | RENT: \$120,000

## THE OFFERING

Purchase Price	\$2,181,818
CAP Rate	5.50%
Annual Rent	\$120,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	4200 E Johnson Ave
City, State ZIP	Jonesboro, AR 72401
Building Size (SF)	1,958 SF
Lot Size (Acres)	0.69
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	\$120,000	\$10,000	-
Year 2	\$120,000	\$10,000	-
Year 3	\$121,500	\$10,125	1.25%
Year 4	\$123,019	\$10,252	1.25%
Year 5	\$124,556	\$10,380	1.25%
Year 6	\$126,113	\$10,509	1.25%
Year 7	\$127,690	\$10,641	1.25%
Year 8	\$129,286	\$10,774	1.25%
Year 9	\$130,902	\$10,909	1.25%
Year 10	\$132,538	\$11,045	1.25%
Year 11	\$134,195	\$11,183	1.25%
Year 12	\$135,872	\$11,323	1.25%
Year 13	\$137,571	\$11,464	1.25%
Year 14	\$139,291	\$11,608	1.25%
Year 15	\$141,032	\$11,753	1.25%
Year 16	\$142,795	\$11,900	1.25%
Year 17	\$144,580	\$12,048	1.25%
Year 18	\$146,387	\$12,199	1.25%
Year 19	\$148,217	\$12,351	1.25%
Year 20	\$150,069	\$12,506	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 4200 E Johnson Ave, Jonesboro, AR. The property consists of 1,958 square feet of building space and is situated on approximately 0.69 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%

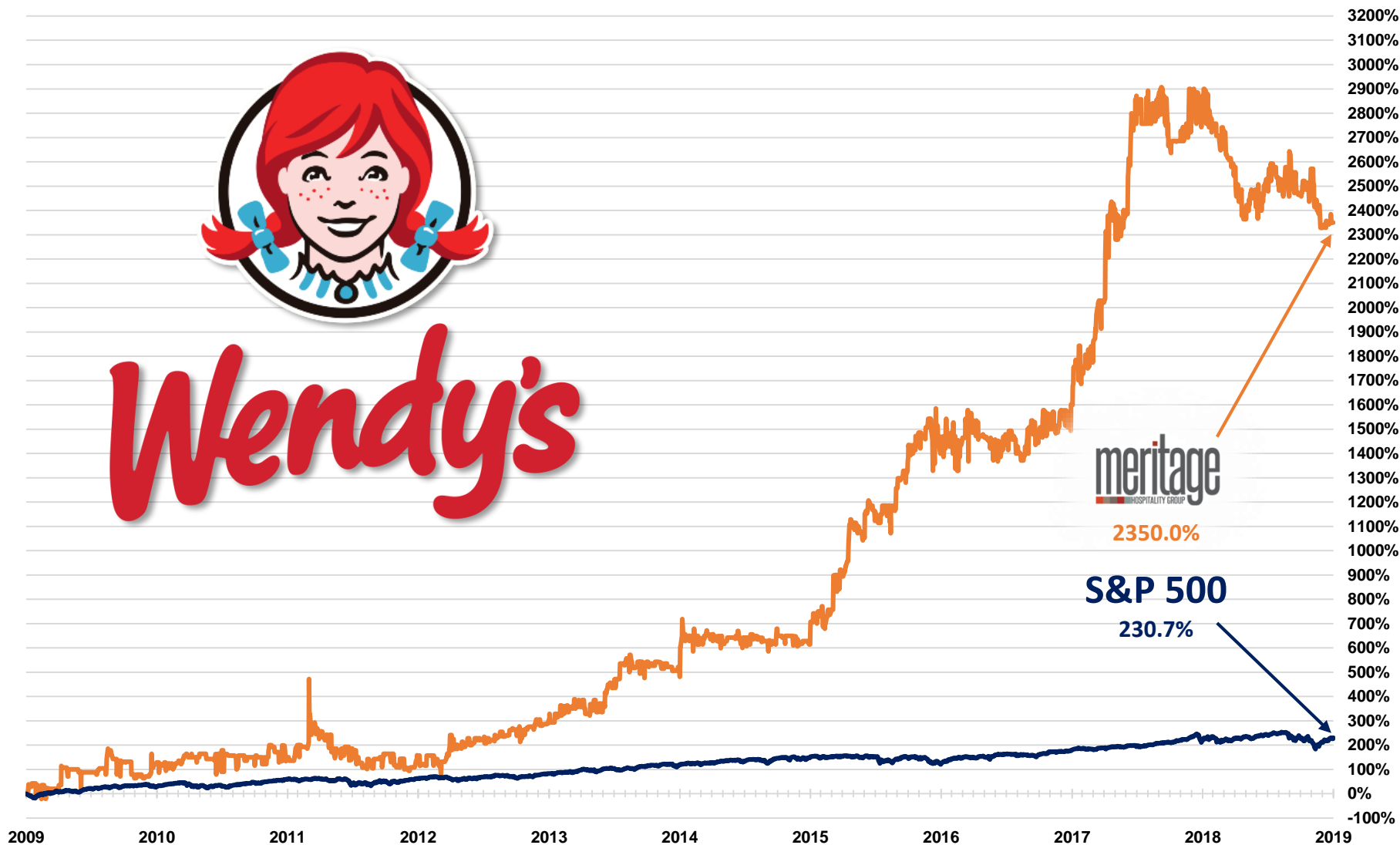
# Wendy's



## 10-Year Historical Performance



# Wendy's

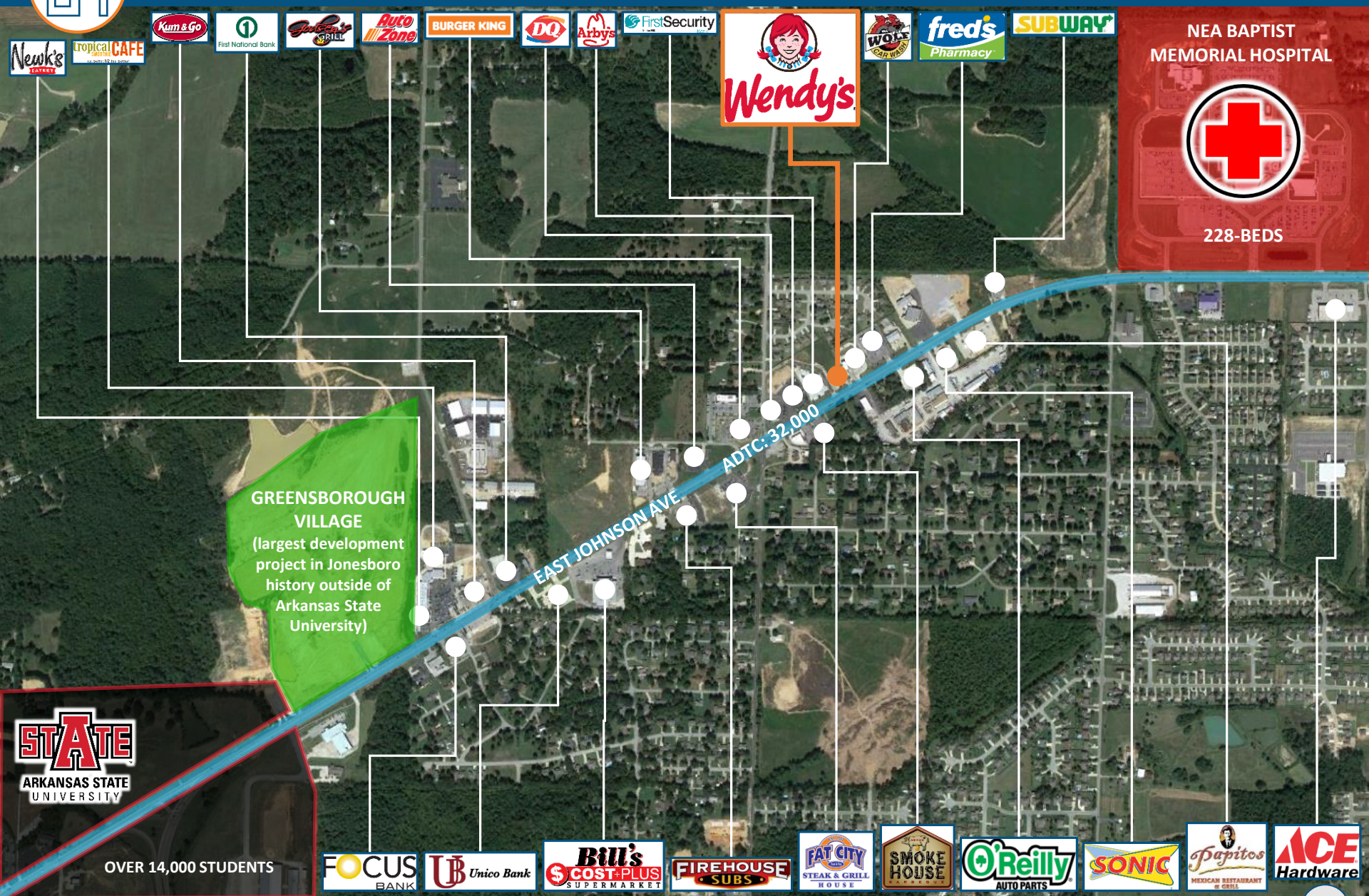






# Surrounding Area

Wendy's



Marcus & Millichap



# Location Overview

This Wendy's property is located at 4200 East Johnson Avenue in Jonesboro, Arkansas. Jonesboro is among the largest cities in the state of Arkansas. Form a triangle by connecting Little Rock, St. Louis, and Memphis, and you'll see Jonesboro stands out as the largest metropolitan city in what amounts to a 17,000 square-mile triangle area. The Jonesboro region is a proven leader in a number of categories attractive to business including geography, favorable climate, viable economy, advantageous tax structure, affordable housing, low crime rate, growing medical community, opportunity for education, expanding retail and industrial community, recreational opportunities, cultural, sports and civic organizations.

## SURROUNDING RETAIL & POINTS OF INTEREST

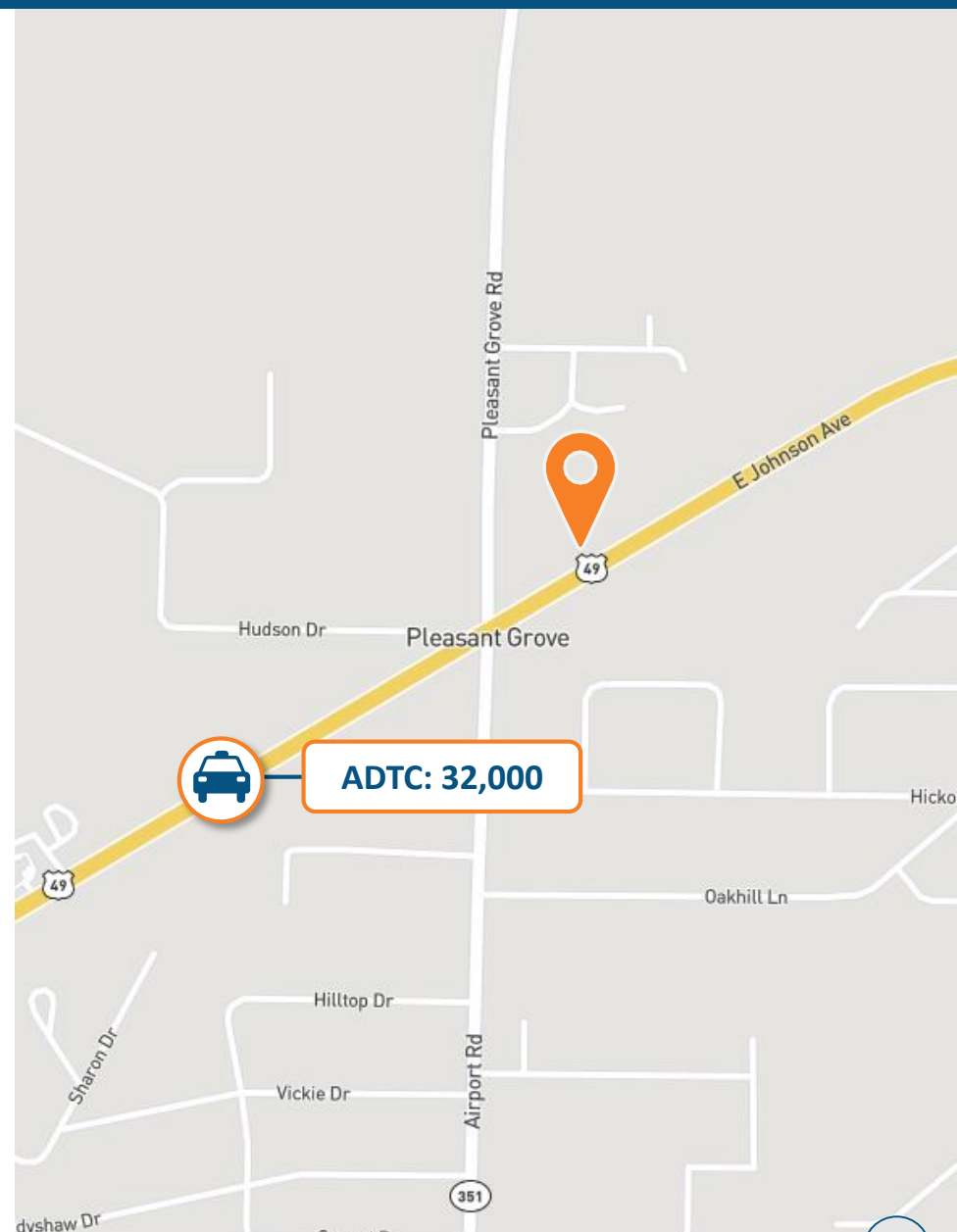
The property is located along one of the highest traffic count roadways in Northeast Arkansas and is strategically located in the center of the regions largest employers. To the east is NEA Baptist Hospital (228-bed facility), to the west is Arkansas State University (14,000 students enrolled) and downtown is St. Bernard's. Within immediate proximity of the property is the Greensborough Village, a new, mixed-use development project that will combine retail, commercial, office and other spaces with residential housing. Once completed, there will be at least 650,000 square feet of commercial/retail space, and more than 200 single-family homes. It's estimated up to 2,500 people will live in the village once completed. With the lone exception of the main campus at Arkansas State University, Greensborough Village is destined to earn its place as the single largest development in the history of Jonesboro to date with a total project cost of \$500 million by conservative estimates.

## TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 25,300 people residing within a three-mile radius and 55,000 people within a five-mile radius of this property. Within the immediate one-mile radius is an affluent population with average household income exceeding \$78,000. This property is ideally situated on East Johnson Avenue, one of the main thoroughfare passing through the city. East Johnson Avenue experience average traffic counts of approximately 32,000 vehicles per day.

## JONESBORO, AR

The City of Jonesboro is the county seat for Craighead County, which is located in northeast Arkansas. Today, Jonesboro has established itself as the perennial hub of Northeast Arkansas' agricultural production. To the east lies the alluvial cotton delta and to the southwest is the fertile rice land. Large farms produce soybeans, rice, cotton, fish, and livestock. One of the world's two largest rice mills, Riceland Rice, is located here. The city has not limited itself to agriculture. It is the trade, cultural, and medical center of a 7,000-square mile area. Because of its shopping centers, shops, restaurants, and other attractions, Jonesboro has become the major trade center for 500,000 people in northeast Arkansas and southeast Missouri. Jonesboro has a modern hospital, which has been serving the area since 1902. The Arkansas Services Center provides the area with the most extensive medical facilities available.











# Demographics



## MAJOR EMPLOYERS

Employer	# of Employees
Baptist Memorial Health Care Corporation	2,000
St. Bernard's Medical Center	1,500
Hytrol Conveyor Company	1,200
Advance Services Inc.	1,084
Quad/Graphics Inc	634
Absolute Care Management Corp	500
Walmart	500
Nettleton School District	460
Rivland	450
Arkansas Glass Container Corp	350
Jonesboro Rice Division	291
NEA Baptist Clinic	263

# of Employees based on 5 mile radius

## DEMOGRAPHICS

### Population

	1 Mile	3 Miles	5 Miles
2023 Projection	3,388	26,926	56,916
2018 Estimate	3,006	25,392	55,086
2010 Census	2,496	22,187	49,537
2000 Census	1,551	17,525	42,249

### Income

	1 Mile	3 Miles	5 Miles
Average	\$78,007	\$58,739	\$57,390
Median	\$64,408	\$40,610	\$40,050
Per Capita	\$30,607	\$22,625	\$23,265

### Households

	1 Mile	3 Miles	5 Miles
2023 Projection	1,333	10,154	22,884
2018 Estimate	1,179	9,467	21,863
2010 Census	976	8,196	19,546
2000 Census	609	6,743	17,168

### Employment

	1 Mile	3 Miles	5 Miles
2018 Daytime Population	1,400	36,370	85,165
2018 Unemployment	2.31%	4.68%	4.16%
2018 Median Time Traveled	20 Mins	18 Mins	17 Mins

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EXCLUSIVE NET LEASE OFFERING

