

# WENDY'S

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



# OFFERING MEMORANDUM



4290 US-51  
Memphis, TN 38116

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## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction – Targeting an October 2019 Store Opening
- ✓ Memphis is the Cultural and Economic Center of West Tennessee and the Greater Mid-South Region
- ✓ Dense Population | 143,121 Individuals Within a Five-Mile Radius
- ✓ Strong Traffic Counts | US-51 Experiences Average Traffic Counts in Excess of 24,000 Vehicles Per Day
- ✓ Close Proximity to Methodist South Hospital | 156-Bed Facility
- ✓ Memphis International Airport is Less Than Four Miles Away | Second Largest Cargo Airport in the World

## 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: \$2,454,545 | CAP RATE: 5.50% | RENT: \$135,000

THE OFFERING	
Purchase Price	\$2,454,545
CAP Rate	5.50%
Annual Rent	\$135,000

PROPERTY DESCRIPTION	
Property	Wendy's
Property Address	4290 US-51
City, State ZIP	Memphis, TN 38116
Building Size (SF)	2,646 SF
Lot Size (Acres)	0.85
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	\$135,000	\$11,250	-
Year 2	\$135,000	\$11,250	-
Year 3	\$136,688	\$11,391	1.25%
Year 4	\$138,396	\$11,533	1.25%
Year 5	\$140,126	\$11,677	1.25%
Year 6	\$141,878	\$11,823	1.25%
Year 7	\$143,651	\$11,971	1.25%
Year 8	\$145,447	\$12,121	1.25%
Year 9	\$147,265	\$12,272	1.25%
Year 10	\$149,106	\$12,425	1.25%
Year 11	\$150,969	\$12,581	1.25%
Year 12	\$152,857	\$12,738	1.25%
Year 13	\$154,767	\$12,897	1.25%
Year 14	\$156,702	\$13,058	1.25%
Year 15	\$158,661	\$13,222	1.25%
Year 16	\$160,644	\$13,387	1.25%
Year 17	\$162,652	\$13,554	1.25%
Year 18	\$164,685	\$13,724	1.25%
Year 19	\$166,744	\$13,895	1.25%
Year 20	\$168,828	\$14,069	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 4290 US-51, Memphis, TN. The property consists of 2,646 square feet of building space and is situated on approximately 0.85 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.otcmartets.com](http://www.otcmartets.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

## 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%

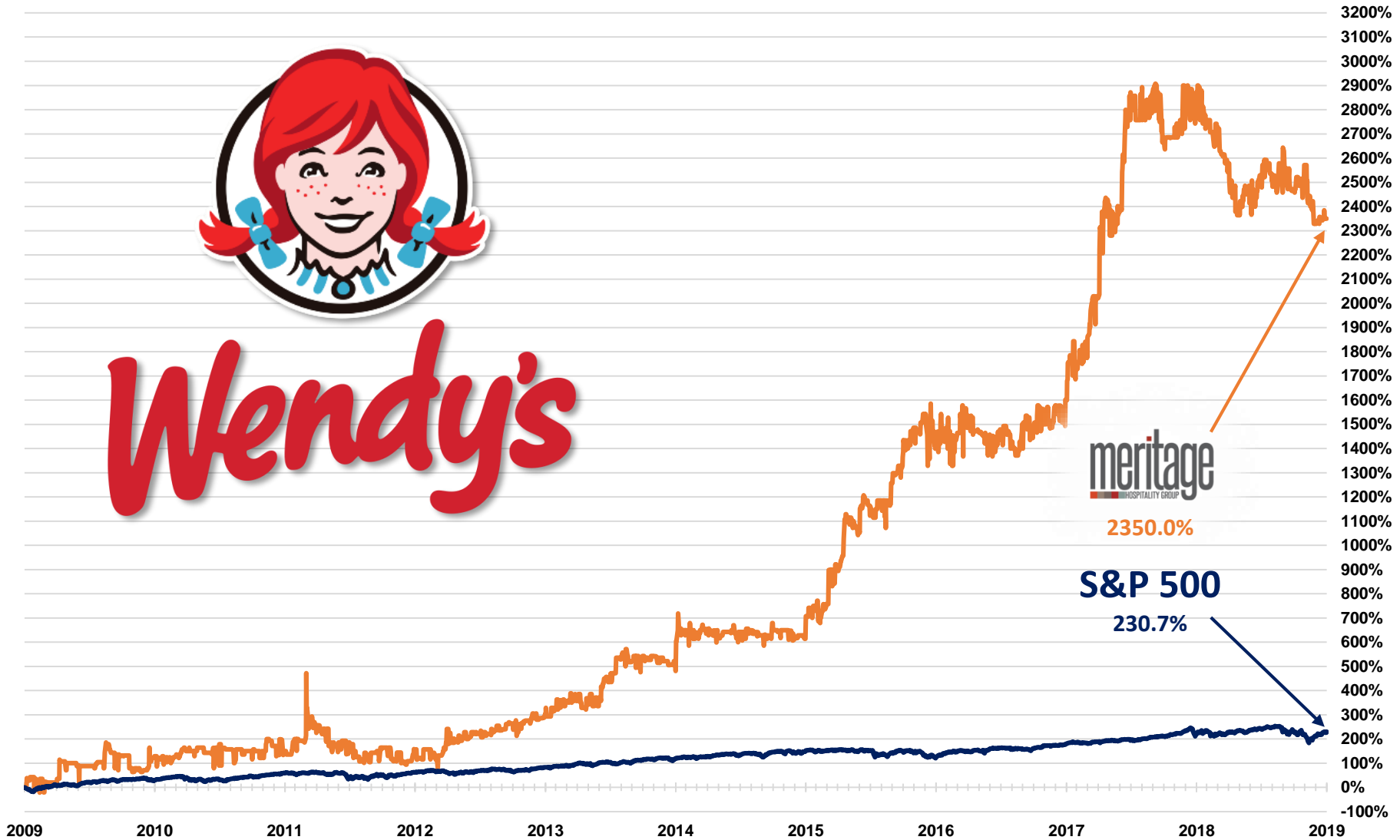
# Wendy's



## 10-Year Historical Performance



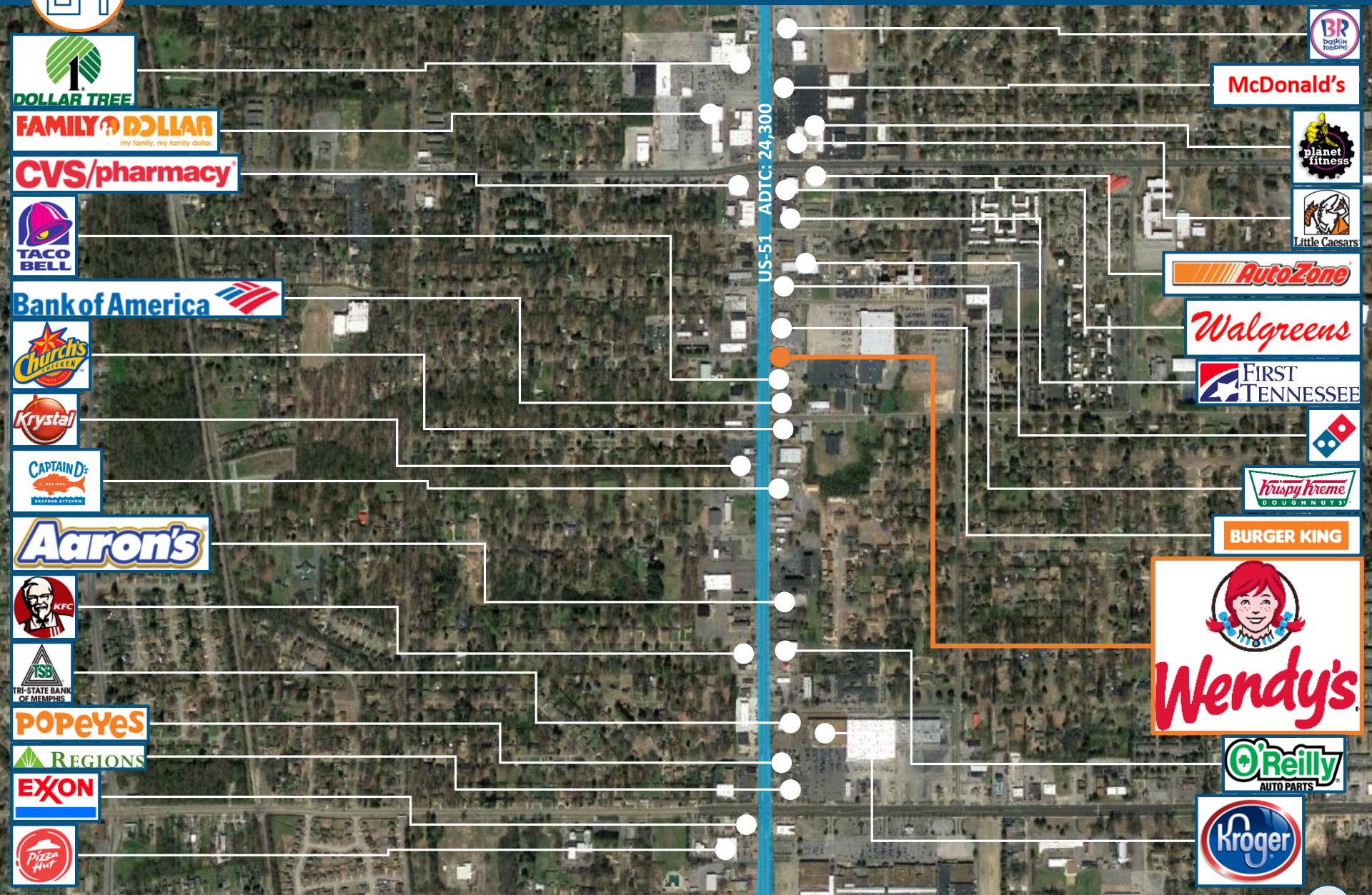
# Wendy's







# Surrounding Area





# Location Overview



This Wendy's property is located at 4290 US-51 in Memphis, Tennessee. Memphis is the largest city on the Mississippi River, second-largest city in Tennessee, as well as the 25th largest city in the United States.

## SURROUNDING RETAIL & POINTS OF INTEREST

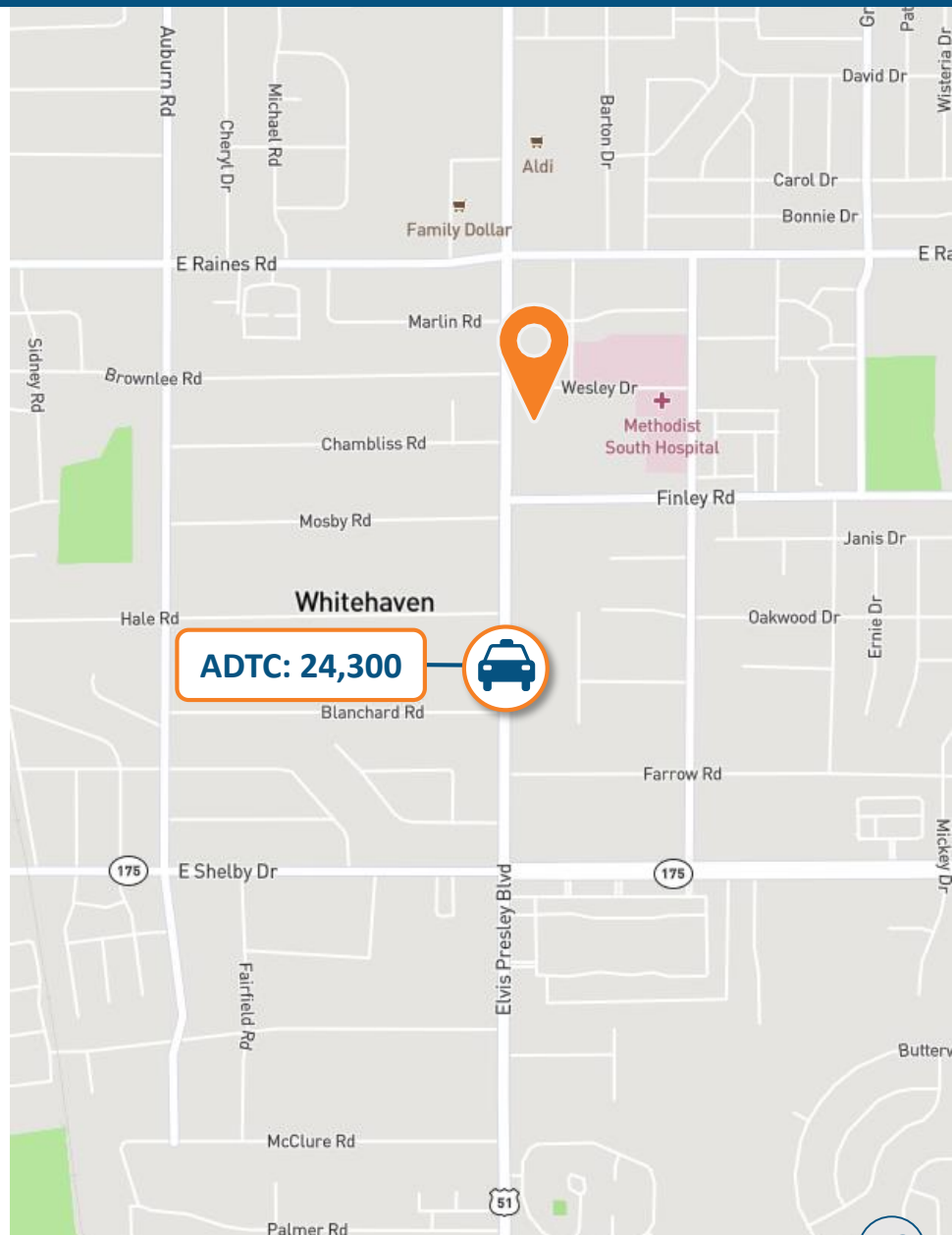
The subject property is well-positioned, benefiting from its close proximity to many major national tenants. Major national tenants in the area include: Dollar Tree, Family Dollar, CVS Pharmacy, Walgreens, Planet Fitness, Kroger, McDonald's, and many more. There are also numerous lodging accommodations for travelers passing through the immediate area such as Days Inn, Courtyard by Marriott, Holiday Inn Express, and various others. This property is located approximately four miles from Memphis International Airport, which is the second largest cargo airport in the world. This Wendy's property is also less than half a mile from Methodist South Hospital, a 156-bed medical facility.

## TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 61,593 people residing within a three-mile radius and 143,121 people within a five-mile radius of this property. This Wendy's is located on US-51, which boasts significant average daily traffic counts of approximately 24,300 vehicles a day.

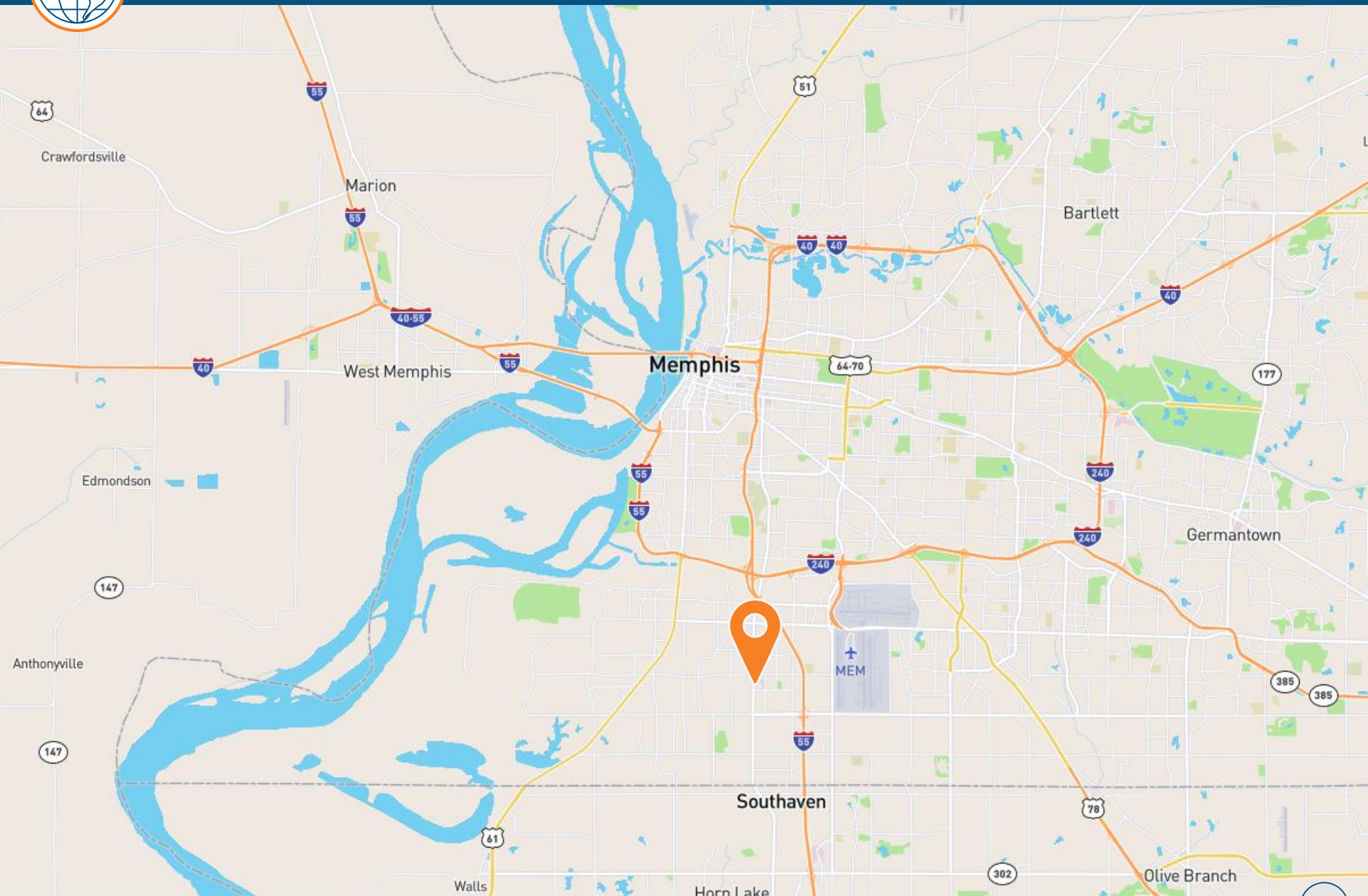
## MEMPHIS, TN

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.



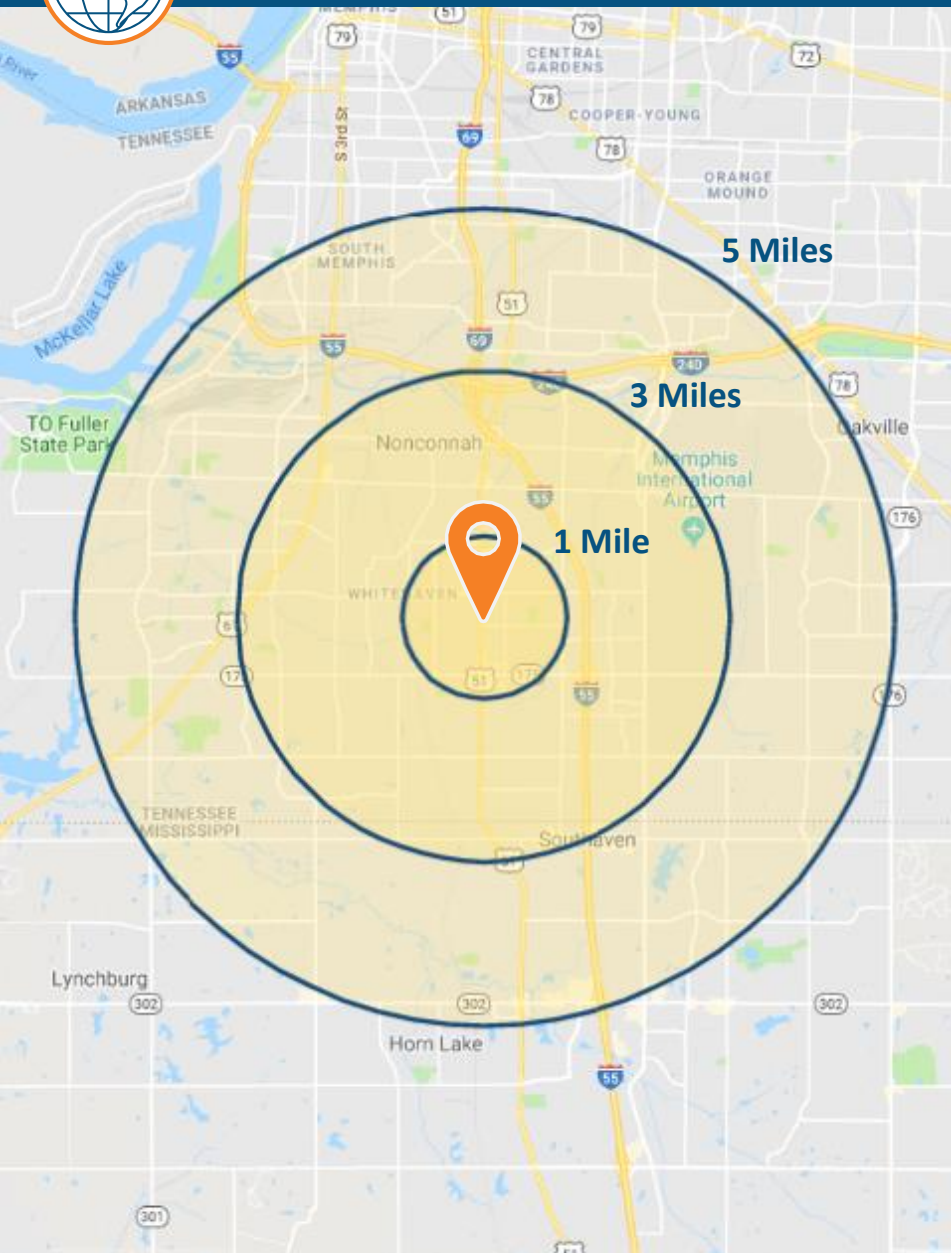


# Regional Map





# Demographics



## MAJOR EMPLOYERS

Employer	# of Employees
Defense Depot Memphis	2,500
Methodist Le Bonheur Healthcare	2,061
FedEx	2,040
Methodist Hospital South	1,624
US Post Office	1,245
ABM Aviation Inc	800
Summit Truck Group	752
Canadian National Railroad	625
Langston Bag Company	603
Baptist Memorial Health Care	600
Kroger	587
Medtronic	559

# of Employees based on 5 mile radius

## DEMOGRAPHICS

Population	1 Mile	3 Miles	5 Miles
2023 Projection	9,844	60,005	141,574
2018 Estimate	10,007	61,593	143,121
2010 Census	9,966	61,185	140,575
2000 Census	11,363	75,187	159,330
<b>Income</b>			
Average	\$43,544	\$49,153	\$47,662
Median	\$31,198	\$36,764	\$35,481
Per Capita	\$16,508	\$17,786	\$17,282
<b>Households</b>			
2023 Projection	3,687	21,943	51,965
2018 Estimate	3,711	22,179	51,708
2010 Census	3,729	22,132	51,081
2000 Census	4,030	25,681	55,977
<b>Employment</b>			
2018 Daytime Population	9,118	88,247	167,885
2018 Unemployment	10.44%	8.88%	8.31%
2018 Median Time Traveled	23 Mins	24 Mins	25 Mins

# Marcus & Millichap

## EXCLUSIVE NET LEASE OFFERING



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