

# WENDY'S

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



# OFFERING MEMORANDUM



80 Marketplace Drive  
St. Augustine, FL 32084

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## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to Open December 2019
- ✓ Strong Traffic Counts | State Road 207 and I-95 | Average Daily Traffic Counts Exceed 20,645 and 57,449 Vehicles
- ✓ Compelling Location Fundamentals | Located Directly off the Exit | One of the First Restaurants People Will See
- ✓ Flagler Hospital | Located Five-Miles From the Subject Property | A 316-Bed Facility

## 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: \$2,400,000 | CAP RATE: 5.00% | RENT: \$120,000

## THE OFFERING

Purchase Price	\$2,400,000
CAP Rate	5.00%
Annual Rent	\$120,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	80 Marketplace Drive
City, State ZIP	St. Augustine, FL 32084
Building Size (SF)	2,584
Lot Size (Acres)	+/- 1.30
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 80 Marketplace Drive in St. Augustine, FL. The property consists of 2,584 square feet of building space and is situated on approximately 1.30 acre 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.otcmart.com](http://www.otcmart.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%

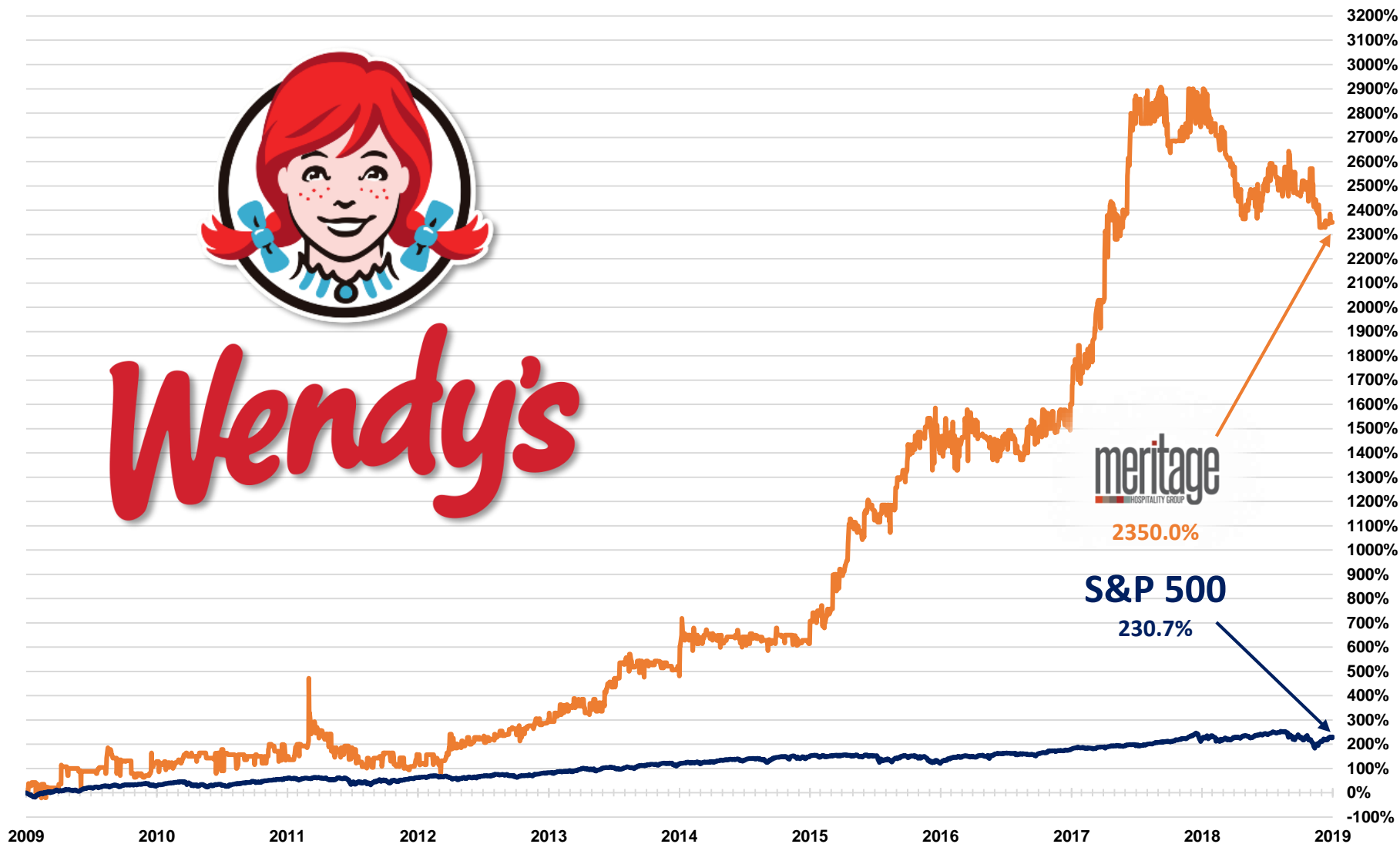
# Wendy's



## 10-Year Historical Performance



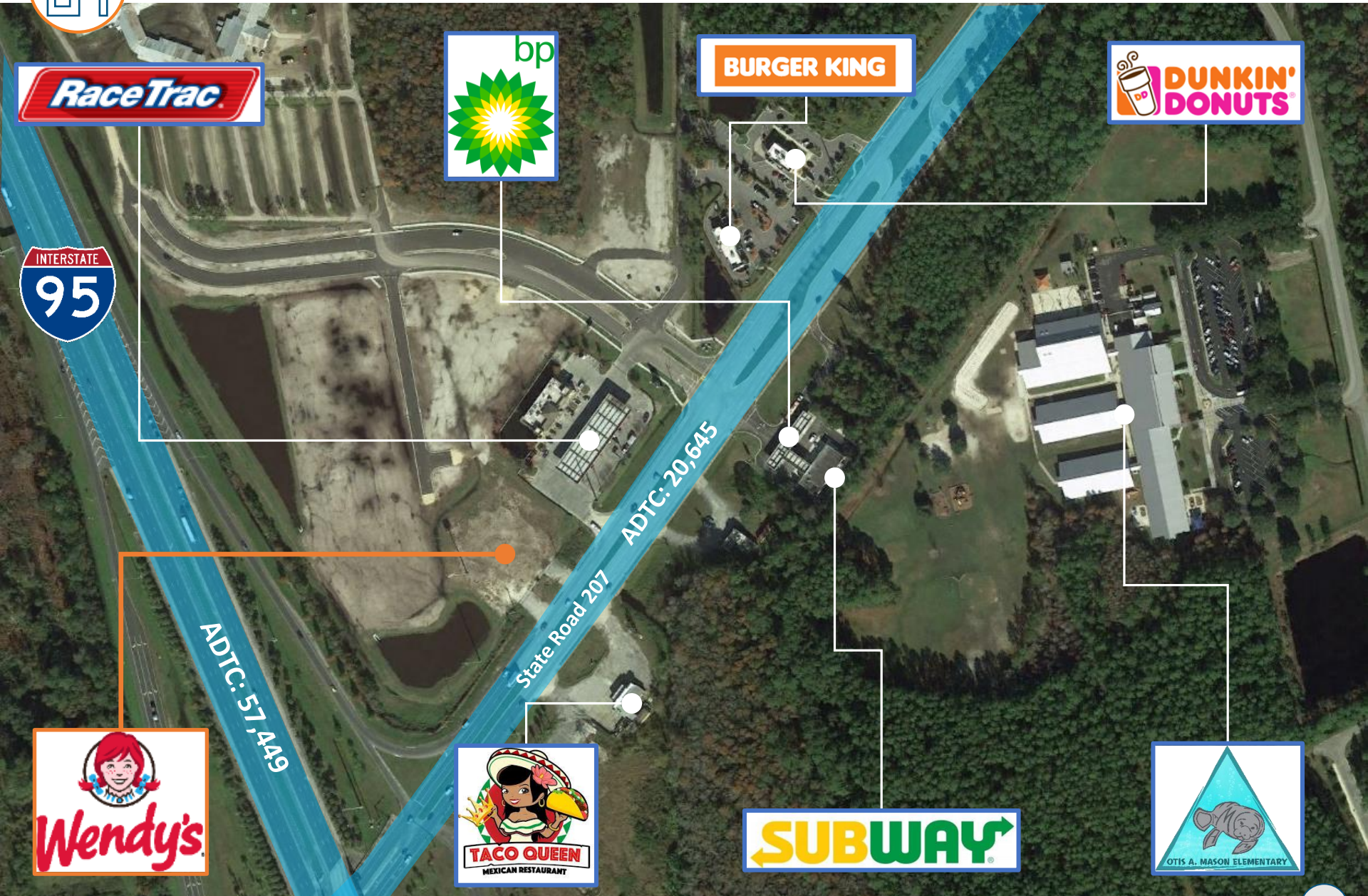
# Wendy's





# Surrounding Area

Wendy's





# Location Overview

This Wendy's property is located at 80 Marketplace Drive in St. Augustine, FL. St. Augustine is the county seat of St. Johns County and part of Florida's First Coast region.

## SURROUNDING RETAIL & POINTS OF INTEREST

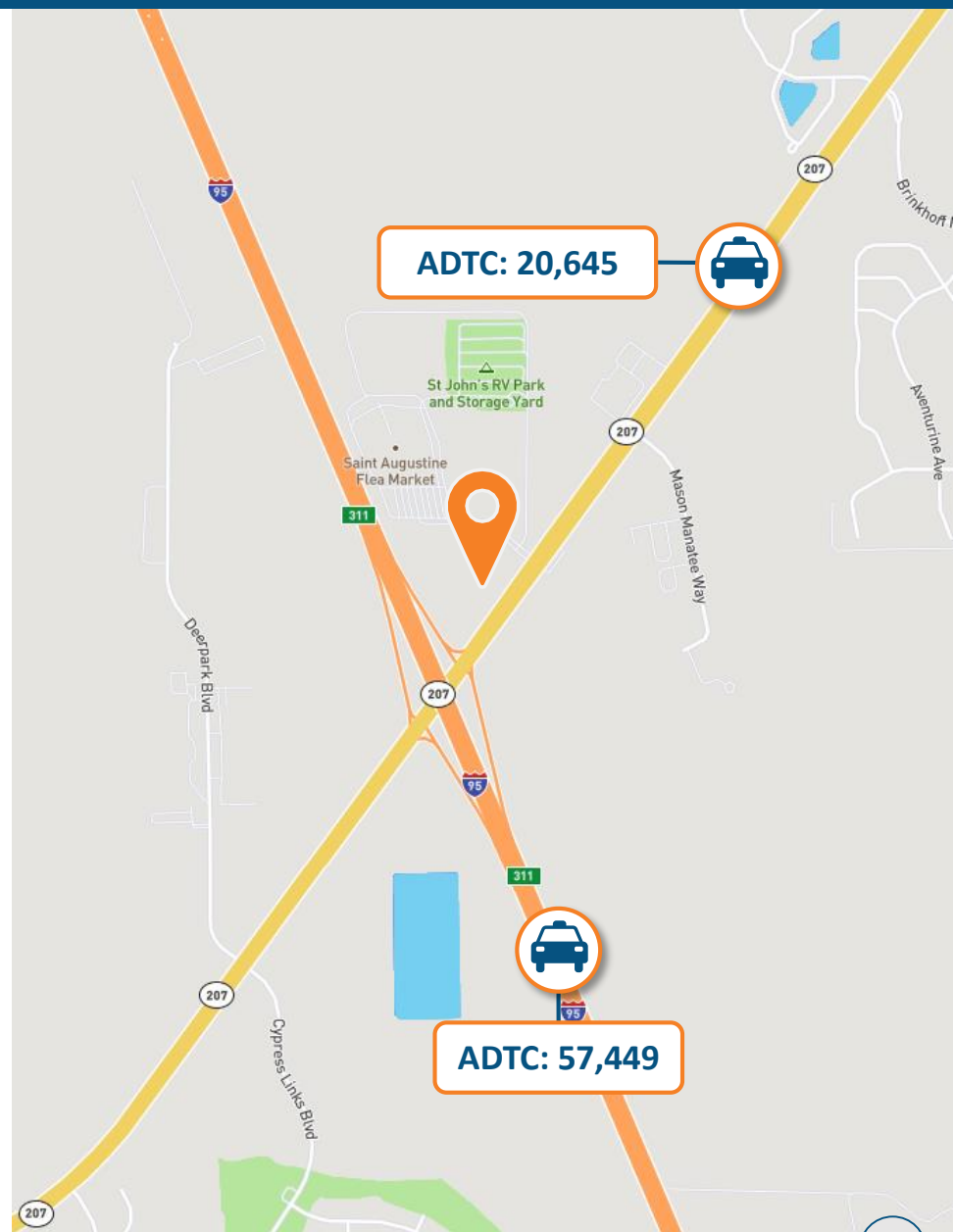
The subject property is well-positioned as one of the first places people see when they get off the exit from I-95 as they head into St. Augustine. Major retailers in the area include: BP, RaceTrac, Burger King, Dunkin' Donuts, and Subway, as well as several others. The subject property is situated less than a half mile from the St. Augustine Flea Market. The St. Augustine Flea Market offers 500 vendor booths with great food and live music. This subject Wendy's property is located five-miles from Flagler Hospital, a 316-bed, not-for-profit facility.

## TRAFFIC COUNTS & DEMOGRAPHICS

This area has strong demographics, with approximately 39,664 people residing within a five-mile radius and 97,900 people within a ten-mile radius of the subject property. This Wendy's benefits from being located in an affluent suburban community. The average household income within a three-mile radius exceeds \$75,878. This Wendy's is located on State Road 207 which experiences average daily traffic counts of 20,645 vehicles. State Road 207 intersects with I-95 which brings an additional 57,449 vehicles into the immediate area daily.

## ST. AUGUSTINE, FL

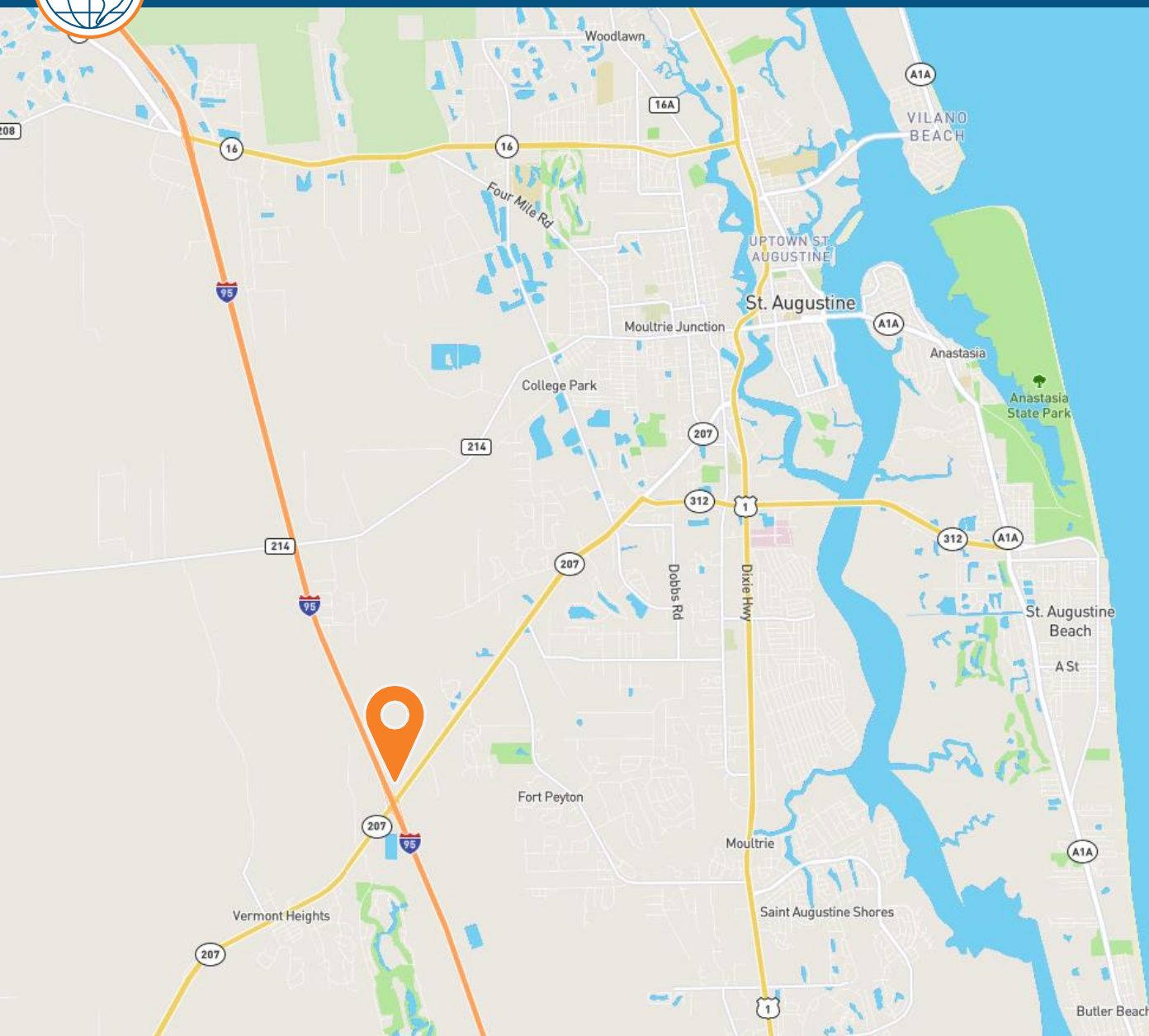
St. Augustine, known as The Ancient City, is located between Northeast and East Central Florida and is convenient to Jacksonville, Orlando, and Daytona airports. North Florida boasts a year-round mild climate perfect for strolling St. Augustine's delightful historic district, with its cobblestone streets, quaint cafes, bars, unique shops, and bed and breakfast inns. The distinct history of St. Augustine along with its 42 miles of gorgeous beaches have made the city a major tourist attraction that brings 2 million visitors annually. While the venerable Castillo de San Marcos remains the traditional magnet for visitors, there are many other appealing sites and attractions. Major area attractions include the Lightner Museum on America's Gilded Age in the historic Hotel Alcazar, the Old Jail, The Oldest House, the Oldest Wooden School House, and the Fountain of Youth. The St. Augustine Lighthouse & Maritime Museum overlooks St. Augustine Beach and Anastasia State Park. The park allows visitors beach access, as well as boat rentals, hiking, and camping opportunities. There are several institutions of higher education in and around St. Augustine. Flagler College, a four-year liberal arts college founded in 1968, is located in the heart of downtown and serves approximately 2,500 students. The historic campus is anchored by the Hotel Ponce de Leon, a luxury hotel first built by Flagler in 1888. St. Johns River College System, has its St. Augustine campus just west of the city.





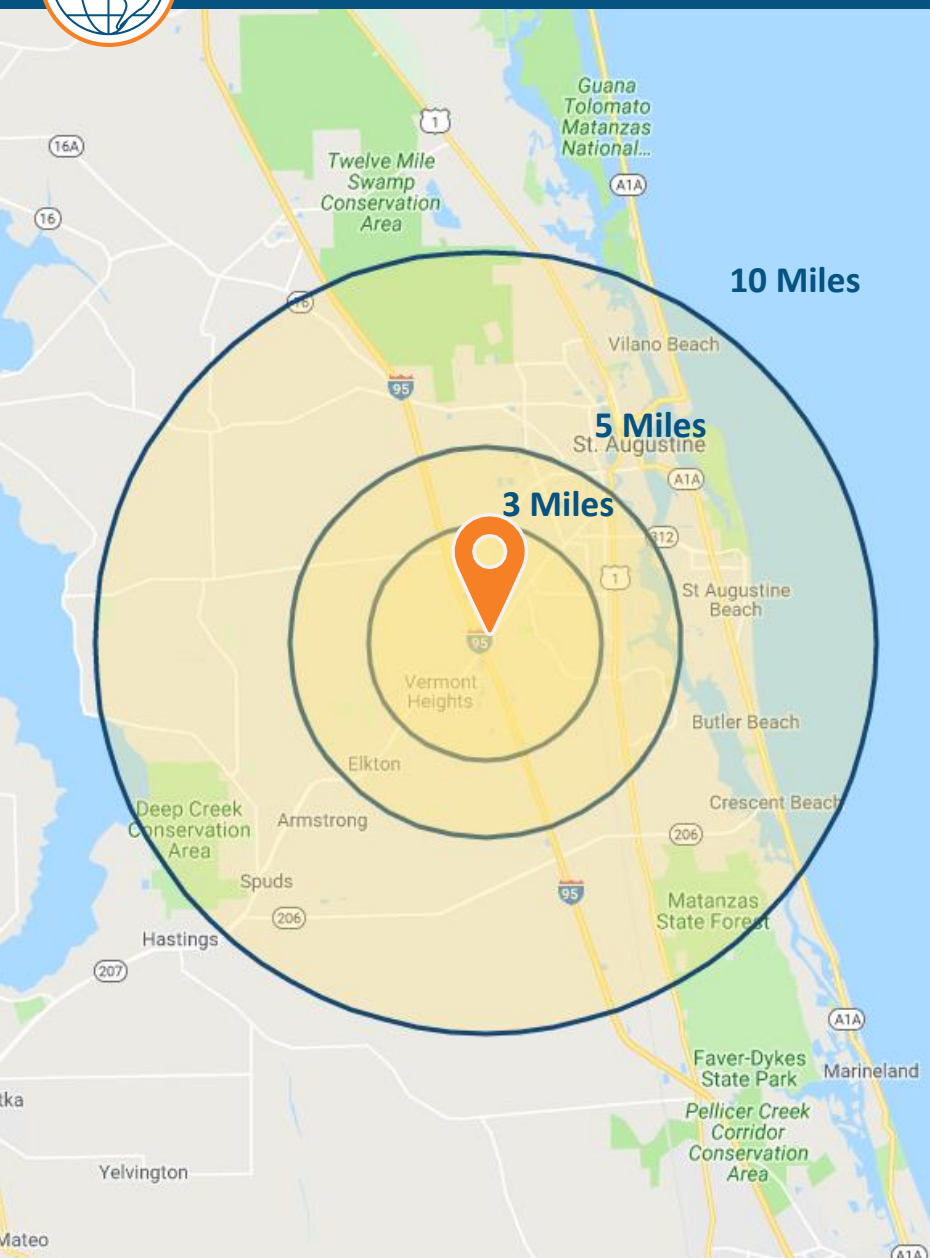
# Regional Map

Wendy's





# Demographics



## MAJOR EMPLOYERS

Employer	# of Employees
Coca-Cola	2,783
FLAGLER HOSPITAL	1,600
Flagler Hospital Inc	1,500
Northrop Grumman Systems Corp	1,410
Carlisle Interconnect Tech	1,000
Postal Fleet Services Inc	1,000
Sears Roebuck and Co	750
Florida School For The Deaf	700
C E S	698
County of St Johns	542
Sheriffs Office	509
Columbia Food Service Company	486

# of Employees based on 5 mile radius

## DEMOGRAPHICS

### Population

	3 Miles	5 Miles	10 Miles
2023 Projection	9,626	41,993	103,524
2018 Estimate	8,800	39,554	97,990
2010 Census	6,918	32,734	82,119
2000 Census	4,788	25,765	64,048

### Income

Average	\$75,878	\$72,959	\$80,666
Median	\$52,514	\$50,444	\$54,415
Per Capita	\$29,923	\$31,226	\$35,447

### Households

2023 Projection	3,830	18,172	45,642
2018 Estimate	3,467	16,844	42,655
2010 Census	2,688	13,695	35,159
2000 Census	1,770	10,092	26,426

### Employment

2018 Daytime Population	7,559	44,110	116,778
2018 Unemployment	5.36%	5.30%	4.35%
2018 Median Time Traveled	24 Mins	23 Mins	24 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



FL BROKER OF RECORD:

Ryan Nee

Marcus & Millichap

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