

INVESTMENT OPPORTUNITY

# Valvoline Instant Oil Change

Dekalb, Illinois



**STEVEN WEINSTOCK**

Broker of Record

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Offering Memorandum

**Marcus & Millichap**

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## SPECIAL COVID-19 NOTICE

All potential buyers are strongly advised to take advantage of their opportunities and obligations to conduct thorough due diligence and seek expert opinions as they may deem necessary, especially given the unpredictable changes resulting from the continuing COVID-19 pandemic.

Marcus & Millichap has not been retained to perform, and cannot conduct, due diligence on behalf of any prospective purchaser. Marcus & Millichap's principal expertise is in marketing investment properties and acting as intermediaries between buyers and sellers. Marcus & Millichap and its investment professionals cannot and will not act as lawyers, accountants, contractors, or engineers. All potential buyers are admonished and advised to engage other professionals on legal issues, tax, regulatory, financial, and accounting matters, and for questions involving the property's physical condition or financial outlook. Projections and pro forma financial statements are not guarantees and, given the potential volatility created by COVID-19, all potential buyers should be comfortable with and rely solely on their own projections, analyses, and decision-making

ALL PROPERTY SHOWINGS ARE BY APPOINTMENT ONLY.  
PLEASE CONSULT YOUR MARCUS & MILLICHAP AGENT FOR MORE DETAILS.

Marcus & Millichap





**NO COVID 19 RENT  
CONCESSIONS REQUIRED**

**Marcus & Millichap Seattle is pleased to present the sale offering for the Valvoline Instant Oil Change Building in Dekalb, Illinois. This passive investment property features a 11+ year base lease term guaranteed by a strong regional franchisee with over 40 locations in the midwest.**

**LONG TERM  
INCOME  
STABILITY**

- 11+ years of remaining lease term with 1.5% annual rent increases
- Absolute net lease with no landlord responsibilities
- Long-term tenant commitment to the property, operating at this location since 2004

**WELL  
RECOGNIZED  
BRAND**

- Valvoline Instant Oil Change was ranked #57 in Entrepreneur magazine's 2020 "Franchise 500" list
- Valvoline ranked No. 2 quick-lube chain in United States by number of stores
- Customer rated as 4.6 out of 5 stars per annual survey of over 250,000 Valvoline customers

**STRONG  
FRANCHISEE  
PERFORMANCE**

- Ivy Lane Corporation operates over 40 locations in three states
- Ivy Lane named one of the fastest growing companies on Inc. Magazine's "Inc. 5000" list, ranked 658 nationally and #1 fastest growing company in Iowa
- Posted 19% growth on lube sales from 2018 to 2019

**STRONG  
LOCATION AND  
DEMOGRAPHICS**

- Well established retail corridor near Target, Walmart, Lowe's, ALDI, Kohl's, and Jewel Osco
- Excellent access off of Highway 23 with over 28,000 vehicles per day
- Great signage and exposure
- Growth market with over 84,000 people within a 10 mile radius

## LOCATION SUMMARY

The property is strategically located along Sycamore Road, a major retail corridor with many nearby national retailers including Lowe's, Wal-Mart Supercenter, Aldi, and Kohl's. As the western anchor of the thriving I-88 Corridor, DeKalb is home to over 45,000 people. The city is located 63 miles west of Chicago and is home to the 21,000 student Northern Illinois University (NIU), less than three miles from the property. In addition to NIU, DeKalb has become a major center for warehousing and distribution operations, retailing, health care and professional services. The City of DeKalb and surrounding trade area continues to expand as more and more people look for affordable housing in non-congested Chicago suburbs. The City has celebrated recent success with the completion of a new \$102 million dollar, state of the art hospital, approval of a \$110 million dollar school referendum, and major improvements at the DeKalb Taylor Municipal Airport.

## OFFERING SUMMARY

PRICE	<b>\$1,290,000</b>
CAPITALIZATION RATE	<b>6.0%</b>
LEASE TYPE	<b>Absolute NNN</b>
ANNUAL RENT INCREASE	<b>1.5% per yr.</b>
BUILDING AREA	<b>2,242 SF</b>
PRICE PER SF	<b>\$575.38 / SF</b>
LAND AREA	<b>40,945 SF (0.94 Ac.)</b>
PRICE PER LAND SF	<b>\$31.50 / SF</b>
YEAR BUILT	<b>1988</b>

# LEASE ABSTRACT

Address	2615 Sycamore Road DeKalb, IL 60115
Tenant / Franchisee	Ivy Lane Corporation
Tenant Trade Name	Valvoline Instant Oil Change
Leasable Area	2,242 SF
Land Area	0.94 Ac.
Year Built	1988
Lease Comm.	November 9, 2004
Lease Expiration	November 30, 2032
Annual Rent	\$77,448 (12/01/20 - 11/30/21)
Renewal Options	Four (4), Five (5) Year Options at FMV
Annual Rent Increase	1.5%
Expenses	Absolute NNN
Financials	Available with NDA

RENT SCHEDULE Year	Annual	Monthly	Cap. Rate
Dec. 1, 2021 - Nov. 30, 2022	\$78,614	\$6,551	6.09%
Dec. 1, 2022 - Nov. 30, 2023	\$79,793	\$6,649	6.19%
Dec. 1, 2023 - Nov. 30, 2024	\$80,990	\$6,749	6.28%
Dec. 1, 2024 - Nov. 30, 2025	\$82,205	\$6,850	6.37%
Dec. 1, 2025 - Nov. 30, 2026	\$83,438	\$6,953	6.47%
Dec. 1, 2026 - Nov. 30, 2027	\$84,690	\$7,058	6.57%
Dec. 1, 2027 - Nov. 30, 2028	\$85,960	\$7,163	6.66%
Dec. 1, 2028 - Nov. 30, 2029	\$87,249	\$7,271	6.76%
Dec. 1, 2029 - Nov. 30, 2030	\$88,558	\$7,380	6.86%
Dec. 1, 2030 - Nov. 30, 2031	\$89,886	\$7,491	6.97%
Dec. 1, 2031 - Nov. 30, 2032	\$91,234	\$7,603	7.07%





KISHWAUKEE  
COMMUNITY  
HOSPITAL



Aaron's  
HyVee

SYCAMORE ROAD (28,000 VPD)



Walmart

Lowe's

BEST  
BUY

KOHL'S

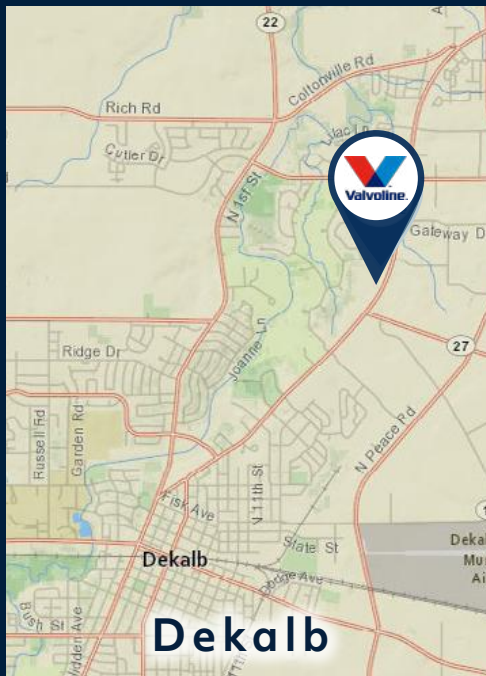
PETCO

MC SPORTS

Best

BIG  
LOIS





63 miles to Chicago









# PROPERTY SITE PLAN

Future Development Site



\*Approximate property boundary lines

ZONING CLASSIFICATION: G2

BUILDING HEIGHT: 45'

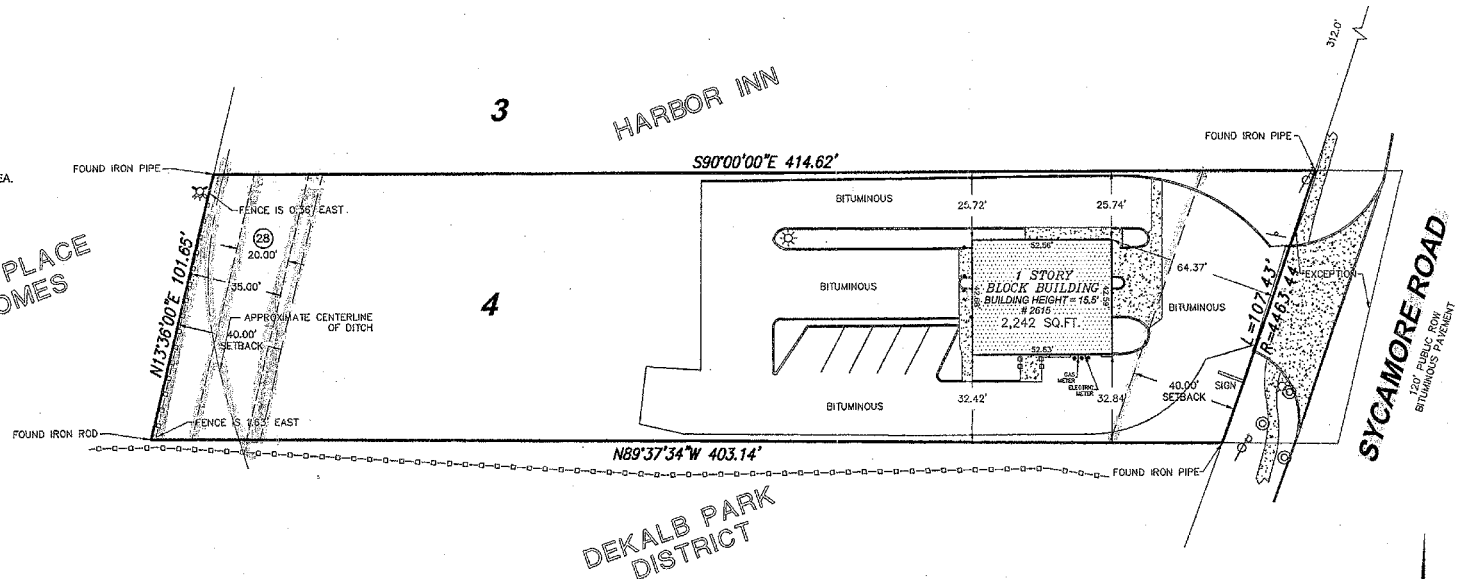
DENSITY: NONE

SETBACKS:  
FRONT - 40'  
SIDES - NONE  
REAR - 40'

PARKING:  
1 SPACE PER EACH 300 S.F. OF FLOOR AREA.

INFORMATION NOT LISTED:  
CONTACT CITY OF DEKALB  
COMMUNITY DEVELOPMENT DEPARTMENT  
(815) 748-2060

OAKLAND PLACE  
TOWNHOMES







**Northwestern**  
Medicine



OAKLAND DRIVE

**HyVee**  
EMPLOYEE OWNED



SYCAMORE ROAD

**HOBBY LOBBY**

BARBER GREENE ROAD





# FRANCHISOR OVERVIEW



[www.valvoline.com](http://www.valvoline.com)

Valvoline Inc. (NYSE: VVV) is a leading worldwide marketer and supplier of premium branded lubricants and automotive services, with sales in more than 140 countries. Established in 1866, the Company's heritage spans more than 150 years, during which time it has developed powerful brand recognition across multiple product and service channels. Valvoline ranks as the No. 3 passenger car motor oil brand in the DIY market by volume. It operates and franchises nearly 1,500 quick-lube locations, and it is the No. 2 chain by number of stores in the United States under the Valvoline Instant Oil Change<sup>SM</sup> brand and the No. 3 chain by number of stores in Canada under the Valvoline Great Canadian Oil Change brand. It also markets Valvoline lubricants and automotive chemicals, including Valvoline High Mileage with MaxLife technology motor oil for engines over 75,000 miles; Valvoline Advanced Full Synthetic motor oil; Valvoline Premium Blue<sup>TM</sup> heavy-duty motor oil; Valvoline Multi-Vehicle Automatic Transmission Fluid; and Zerex<sup>TM</sup> antifreeze.



ESTABLISHED IN  
**1866**



HEADQUARTERS  
IN LEXINGTON, KY



SALES IN OVER  
**140**  
COUNTRIES



QUICK LUBE  
CHAIN BY NUMBER  
OF STORES



PASSENGER CAR  
MOTOR OIL BRAND IN  
THE DIY MARKET BY  
VOLUME



# FRANCHISEE OVERVIEW



**IVY LANE**  
CORPORATION

[www.ivyLANECORP.COM](http://www.ivyLANECORP.COM)

Ivy Lane Corporation (Ivy) was founded on October 18, 2012 by Thomas Bernau and began operations when it acquired five Valvoline Instant Oil Change locations in Iowa. In October of 2015 Ivy made a 30-store acquisition in Wisconsin and Illinois. Ivy currently operates 40 service centers across three states. Mr. Bernau currently serves as President and CEO of Ivy.

During its first year of business, Ivy Lane Corporation was recognized by Valvoline Instant Oil Change as the New Franchisee Rookie of the Year. In their first year of eligibility, Ivy received honors on the Inc. Magazine's Inc. 5000 list as one of the fastest growing companies in the United States – #658 nationally and the #1 fastest growing Iowa corporation.



[www.bernaucapital.com](http://www.bernaucapital.com)

Bernau Capital Partners generate exceptional returns by making long term investments in owners and senior managers who have a proven record of creating successful businesses and who desire additional resources to help their businesses reach their full potential. Through capital investments, mentoring, and strategic direction their companies thrive and grow into large, successful business operations.

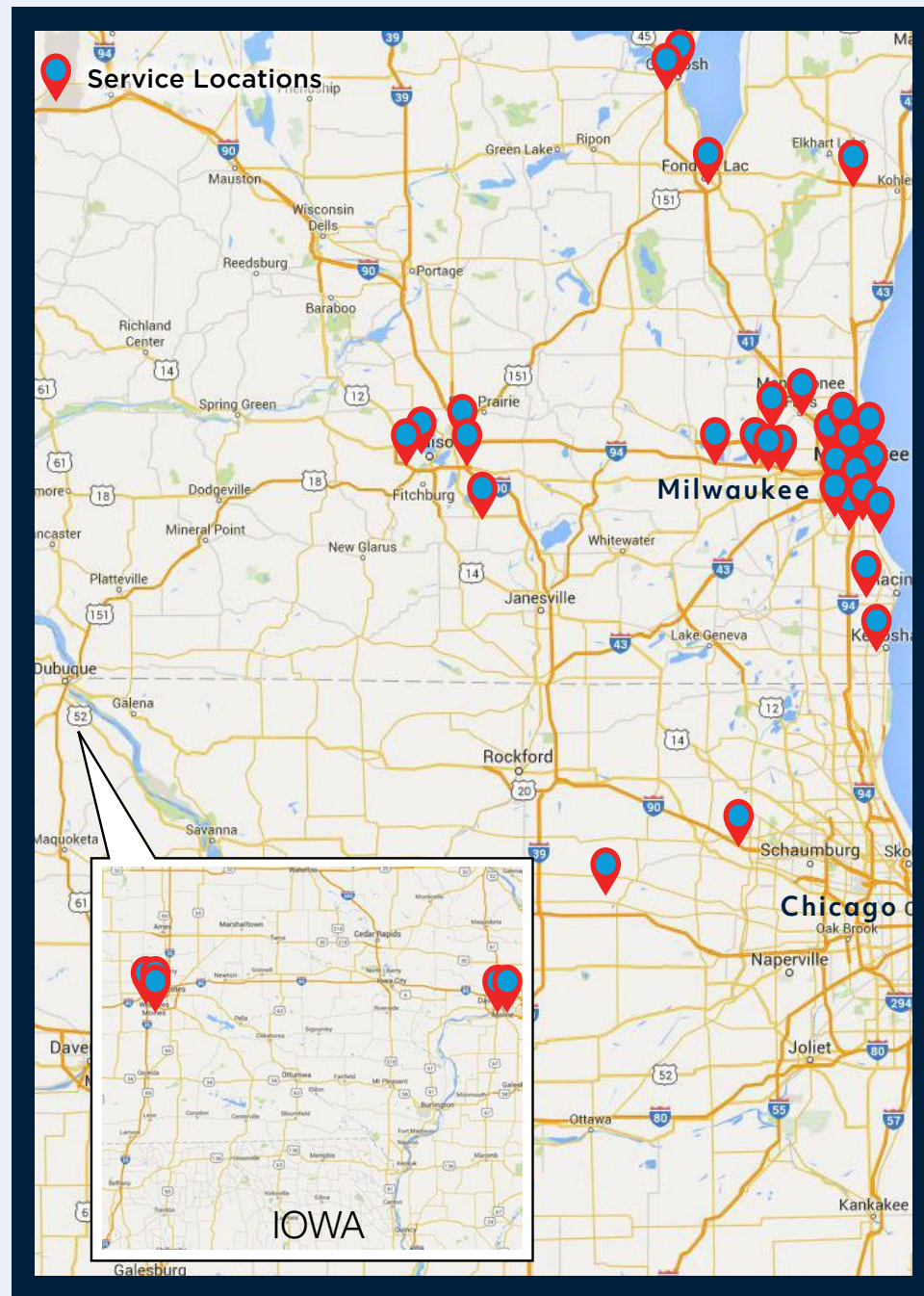
Bernau Capital Partners is now a 13-Time recipient of the Inc 5000 Award with three separate companies receiving the 2017 honors. Ivy Lane and Globe Acceptance are both newcomers to the list and Aterra Real Estate received their 3rd straight recognition. They join Arona, a recipient 8 straight years from 2007-2014.



# IVY LANE CORPORATION

## Center Locations (Partial List)

Store #	Address	City	State
CQ-0028	1108 Hwy. 51-138	Stoughton	WI
CQ-0030	1950 Eastern Avenue	Plymouth	WI
CQ-0031	1812 Silvernail Road	Pewaukee	WI
CQ-0034	112 S. 68th Street	Milwaukee	WI
CQ-0035	2325 Sun Valley Drive	Delafield	WI
CQ-0036	N65 W24922 Hwy. V V	Sussex	WI
CQ-0084	1618 - 38th Street	Rock Island	IL
CQ-0097	7032 Huntley Rd	Carpentersville	IL
CQ-7802	3594 E. Washington Ave	Madison	WI
CQ-7804	2512 S. Stoughton Rd	Madison	WI
CQ-7805	5522 University Avenue	Madison	WI
CQ-7806	732 Gammon Road	Madison	WI
CQ-7807	832 E. Moreland Boulevard	Waukesha	WI
CQ-7808	4839 S. 27th Street	Greenfield	WI
CQ-7809	7028 West Capitol Drive	Milwaukee	WI
CQ-7810	10014 W. Silver Spring Dr.	Milwaukee	WI
CQ-7811	1935 N. Mayfair Road	Wauwatosa	WI
CQ-7812	6100 N. Port Washington	Glendale	WI
CQ-7813	5912 Packard Ave	Cudahy	WI
CQ-7814	3360 S. 27th Street	Milwaukee	WI
CQ-7815	8718 W. Brown Deer Road	Milwaukee	WI
CQ-7816	1951 E. Main Street	Waukesha	WI
CQ-7817	5920 21st Street	Racine	WI
CQ-7818	N96 W18594 County Line Rd	Germantown	WI
CQ-7819	591 West Johnson St.	Fond du Lac	WI
CQ-7820	1870 S. Koeller Street	Oshkosh	WI
CQ-7821	205 W. Murdock Avenue	Oshkosh	WI
CQ-7827	8008 West Layton Ave	Greenfield	WI
CX-0002	1700 East North Ave	Milwaukee	WI
DG-0006	3015 52nd Street	Kenosha	WI
DG-0007	2615 Sycamore Road	DeKalb	IL
GR-0001	2871 Devils Glen Road	Bettendorf	IA
GR-0002	2150 NW 100th Street	Street Clive	IA
GR-0003	102 S. Ankeny Blvd.	Ankeny	IA
GR-0004	1917 Grand Avenue West	West Des Moines	IA
GR-0005	3900 N Pine Street	Davenport	IA





# DEKALB, ILLINOIS

## AT A GLANCE

The City of DeKalb is located 60 miles west of Chicago, 29 miles northwest of Aurora and 40 miles southeast of Rockford. DeKalb offers ready access to the I-88 and I-39 tollways. The historic Lincoln Highway (Illinois Route 38) travels through the heart of DeKalb's downtown.

The City of DeKalb is an urban community with a vital industrial and commercial base within a rural setting. DeKalb's diverse neighborhoods offer a variety of housing options to residents of different economic, ethnic, and lifestyle backgrounds. Its highly educated workforce finds plentiful opportunity for fulfilling work. The community offers a high quality of life with excellent city services, easy mobility around the community, and access to cultural, sports, and educational activities.

### HIGHLIGHTS (10 mi.)



**84,176**  
TOTAL POPULATION



**24.1**  
AVERAGE AGE



**31,144**  
TOTAL HOUSEHOLDS



**\$77,636**  
AVG. HOUSEHOLD  
INCOME

*\*Statistics from US Census ([uscensus.gov](https://www.uscensus.gov))  
and Data USA ([datausa.io](https://datausa.io))*





## Valvoline Reports Strong Fourth-Quarter and Fiscal Year 2020 Results; Provides Fiscal 2021 Outlook (*Fiscal Year Ends September 30*)

LEXINGTON, KY, Oct. 28, 2020 /PRNewswire/

### FOURTH-QUARTER SUMMARY

-Reported net income of \$122 million increased \$95 million and earnings per diluted share (EPS) of \$0.66 increased \$0.52

-Adjusted diluted EPS grew 15% to \$0.46

-Adjusted EBITDA of \$150 million, up 16%

-Sales grew 4% to \$652 million, while lubricant volume declined slightly to 46.2 million gallons

-Valvoline Instant Oil Change (VIOC) system-wide same-store sales (SSS) grew 8.3%

-Cash and cash equivalents on hand of \$760 million and total available liquidity of just over \$1.3 billion as of Sept. 30, 2020

### FULL-YEAR HIGHLIGHTS

-Reported net income of \$317 million increased \$109 million and EPS of \$1.69 increased \$0.59

-Adjusted diluted EPS grew 6% to \$1.48

-Adjusted EBITDA of \$510 million, up 7%

-Sales declined 2% to \$2.35 billion, while lubricant volume declined 6% to 168.0 million gallons

Valvoline Inc. (NYSE: VVV), a leading supplier of premium branded lubricants and automotive services, today reported financial results for its fourth quarter and fiscal year ended September 30, 2020. All comparisons in this press release are made to the same prior-year period unless otherwise noted.

“During the pandemic, our focus has remained on the health and safety of our employees, customers and business partners,” said CEO Sam Mitchell. “Our strong performance in Q4 continues to demonstrate the durability of our business and the tremendous efforts of the entire Valvoline team, who have adapted to these unprecedented times to continue delivering superior customer service.”

“We saw strong sequential and year-over-year improvements in profitability in Quick Lubes and Core North America and exceptional sequential profitability improvement in International in Q4. Our results this quarter significantly exceeded our expectations and demonstrate the true resiliency and competitive advantages of our business model. Quick Lubes’ system-wide same-store sales grew 8.3% in Q4, returning to pre-COVID-19 growth rates as share gains continue. Core North America generated near-record quarterly profitability driven by ongoing performance in the retail channel and benefits from lower raw material costs. An increased contribution from key markets and improved margins drove the strong sequential growth in International profitability.”

“Looking forward to fiscal 2021, we expect to generate low double-digit growth in adjusted EBITDA. Our confidence in this continued growth is driven by our diversified business model that is expected to generate approximately half of its adjusted EBITDA from our quick lubes segment.”

### FOURTH-QUARTER RESULTS

Reported fourth-quarter 2020 net income and EPS were \$122 million and \$0.66, respectively. These results included a net \$37 million (\$0.20 per diluted share) of after-tax income primarily related to pension and other post-employment benefit (OPEB) income including mark-to-market remeasurement impacts. Reported fourth-quarter 2019 net income and EPS were \$27 million and \$0.14, respectively. These results included a net \$48 million (\$0.26 per diluted share) of after-tax expense primarily related to mark-to-market pension and OPEB remeasurement impacts.

Fourth-quarter 2020 adjusted net income and adjusted EPS were \$85 million and \$0.46, respectively, compared to adjusted net income of \$75 million and adjusted EPS of \$0.40 in the prior-year period. Adjusted EBITDA in the quarter was \$150 million, a 16% increase compared to the prior-year period. (See Tables 7 and 8 for reconciliations of adjusted earnings.)

## OPERATING SEGMENT RESULTS

### QUICK LUBES

-Total sales growth of 14% to \$254 million; SSS grew 8.3% system-wide, 8.9% for company-owned stores and 7.9% for franchised stores

-Operating income increased \$7 million or 15% to \$55 million; EBITDA increased \$9 million or 16% to \$67 million

-Quick Lubes ended the quarter with 1,462 total company-owned and franchised stores, a net increase of 30 during the period, and contributing to an increase of 77 versus the prior year

The Quick Lubes segment ended the fiscal year with a strong quarter, reflecting a rapid recovery from the significant COVID-19 impacts experienced in Q3. System-wide SSS growth of 8.3% versus the prior-year period was driven by contributions from both average ticket and transactions. Premium mix, pricing and an increase in revenue from non-oil-change services led to improvement in average ticket. Transactions benefited from ongoing share gains driven by new customer acquisition and strong in-store execution of the Company's safety-focused, stay-in-your-car service model. This is particularly impressive as it is estimated that miles driven declined in the high-single digit range during the quarter.

Segment sales and EBITDA in the quarter grew 14% and 16%, respectively, year-over-year. Higher sales coupled with a 130-basis point improvement in gross margins drove the growth in EBITDA. SSS performance and the addition of 77 net new stores to the system, a 6% increase versus the prior year, contributed to top-line growth. The year-over-year increase in stores includes 36 newly built company locations, which is consistent with expectations given at the beginning of the fiscal year. This includes 22 stores that opened in Q4, accelerating the pace of unit growth as the Company progresses toward its long-range target of 50 newly built company stores per year.

With the recent announcements of three acquisitions, the Company continues to make progress on its acquisition strategy as part of its ongoing growth investments in the Quick Lubes segment. Two of the acquisitions closed earlier in October, adding 14 new company-owned stores and converting 21 franchise locations. The third acquisition, which will add 12 new company-owned stores, is expected to close on Oct. 30.

### CORE NORTH AMERICA

-Operating income increased \$15 million to \$58 million; adjusted EBITDA increased \$14 million or 29% to \$62 million

-Sales and lubricant volume each declined 3% to \$252 million and 23.1 million gallons, respectively

-Branded premium mix increased 530 basis points to 58.9%

Gross margin rates improved 830 basis points driven by continued benefits from channel and product mix, favorable price-cost lag and from the Company's operating expense reduction program, leading to the significant growth in segment profitability versus the prior-year period.

Solid progress continues in the retail channel, benefiting from strong promotional performance. Total retail channel volume in the quarter increased in the low single-digits range versus the prior-year period. Full-year retail channel volume performance was flat, a significant accomplishment given the COVID-19 related volume challenges in Q3 and demonstrating progress from the actions implemented to address recent challenging DIY market dynamics. Installer channel volume in the quarter saw significant sequential improvement from Q3, but still declined in the high single-digit range year-over-year, reflecting a slower recovery from the impacts of COVID-19. The Company recently renewed a number of key national installer accounts, continuing these important, long-term customer relationships.



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