

# WENDY'S

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



# OFFERING MEMORANDUM



7895 US-51 N  
Millington, TN 38053

# Confidentiality and Disclaimer

Marcus & Millichap hereby advises all prospective purchasers of Net Leased property as follows:

The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable. However, Marcus & Millichap has not and will not verify any of this information, nor has Marcus & Millichap conducted any investigation regarding these matters. Marcus & Millichap makes no guarantee, warranty or representation whatsoever about the accuracy or completeness of any information provided.

As the Buyer of a net leased property, it is the Buyer's responsibility to independently confirm the accuracy and completeness of all material information before completing any purchase. This Marketing Brochure is not a substitute for your thorough due diligence investigation of this investment opportunity. Marcus & Millichap expressly denies any obligation to conduct a due diligence examination of this Property for Buyer.

Any projections, opinions, assumptions or estimates used in this Marketing Brochure are for example only and do not represent the current or future performance of this property. The value of a net leased property to you depends on factors that should be evaluated by you and your tax, financial and legal advisors.

Buyer and Buyer's tax, financial, legal, and construction advisors should conduct a careful, independent investigation of any net leased property to determine to your satisfaction with the suitability of the property for your needs.

Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some

properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

By accepting this Marketing Brochure you agree to release Marcus & Millichap Real Estate Investment Services and hold it harmless from any kind of claim, cost, expense, or liability arising out of your investigation and/or purchase of this net leased property.

## CONFIDENTIALITY AND DISCLAIMER

The information contained in the following Marketing Brochure is proprietary and strictly confidential. It is intended to be reviewed only by the party receiving it from Marcus & Millichap and should not be made available to any other person or entity without the written consent of Marcus & Millichap. This Marketing Brochure has been prepared to provide summary, unverified information to prospective purchasers, and to establish only a preliminary level of interest in the subject property. The information contained herein is not a substitute for a thorough due diligence investigation. Marcus & Millichap has not made any investigation, and makes no warranty or representation, with respect to the

income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition or business prospects of any tenant, or any tenant's plans or intentions to continue its occupancy of the subject property. The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable; however, Marcus & Millichap has not verified, and will not verify, any of the information contained herein, nor has Marcus & Millichap conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. All potential buyers must take appropriate measures to verify all of the information set forth herein.

## NON-ENDORSEMENT NOTICE

Marcus & Millichap Real Estate Investment Services, Inc. ("M&M") is not affiliated with, sponsored by, or endorsed by any commercial tenant or lessee identified in this marketing package. The presence of any corporation's logo or name is not intended to indicate or imply affiliation with, or sponsorship or endorsement by, said corporation of M&M, its affiliates or subsidiaries, or any agent, product, service, or commercial listing of M&M, and is solely included for the purpose of providing tenant lessee information about this listing to prospective customers.

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

## 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.



7895 US-51 N  
Millington, TN 38053



# Table of Contents

Investment Highlights	4
Financial Analysis & Investment Summary	5
Concept Overview	6 – 7
Surrounding Area	8
Location Overview	9
Regional Map	10
Demographics	11





## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Site is Expected to Open in May 2021
- ✓ Compelling Location Fundamentals | Located Under Twenty Miles from Memphis, TN | Second Largest City in TN
- ✓ Dense Retail Corridor | Includes Tractor Supply Co., Dollar General, Big Lots, Goody's, Advance Auto Parts, Kroger, Goodwill, NAPA Auto Parts, O'Reilly Auto Parts, Walgreens, Burger King, Pizza Hut, McDonalds, Sonic and Many More
- ✓ Strong Traffic Counts | US-51 N Experiences Average Daily Traffic Counts of Approximately 32,000 Vehicles

## 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 337+ 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: \$2,516,505 | CAP RATE: 5.15% | RENT: \$129,600

## THE OFFERING

Purchase Price	\$2,516,505
CAP Rate	5.15%
Annual Rent	\$129,600

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	7895 US-51 N
City, State ZIP	Millington, TN 38053
Year Built	2021
Building Size (SF)	2,584
Lot Size (Acres)	+/- 1.02
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	\$129,600	\$10,800	-
Year 2	\$129,600	\$10,800	-
Year 3	\$131,220	\$10,935	1.25%
Year 4	\$132,860	\$11,072	1.25%
Year 5	\$134,521	\$11,210	1.25%
Year 6	\$136,203	\$11,350	1.25%
Year 7	\$137,905	\$11,492	1.25%
Year 8	\$139,629	\$11,636	1.25%
Year 9	\$141,374	\$11,781	1.25%
Year 10	\$143,141	\$11,928	1.25%
Year 11	\$144,931	\$12,078	1.25%
Year 12	\$146,742	\$12,229	1.25%
Year 13	\$148,577	\$12,381	1.25%
Year 14	\$150,434	\$12,536	1.25%
Year 15	\$152,314	\$12,693	1.25%
Year 16	\$154,218	\$12,852	1.25%
Year 17	\$156,146	\$13,012	1.25%
Year 18	\$158,098	\$13,175	1.25%
Year 19	\$160,074	\$13,339	1.25%
Year 20	\$162,075	\$13,506	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 7895 US-51 N in Millington, TN. The property consists of 2,584 square feet of building space and is situated on approximately 1.02 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 337+ 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<sup>®</sup>," 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, and other signature items like chili, baked potatoes and the Frosty<sup>®</sup> 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<sup>®</sup> and its signature Wendy's Wonderful Kids<sup>®</sup> program, which seeks to find every child in the North American foster care system a loving, forever home. As of May 2020, Wendy's and its franchisees employ hundreds of thousands of people across more than 6,800 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, with 337 restaurants 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 a workforce of approximately 11,000 employees. The Company's current public information is available pursuant to SEC Rule 15c2-11 and FINRA Rule 6432 at [www.otcm Markets.com](http://www.otcm Markets.com), under the stock symbol MHGU, or the Company's website [www.meritagehospitality.com](http://www.meritagehospitality.com).



Excerpt from Meritage Hospitality Group Press Release Dated February 24, 2020:

*"Our operations and development performance in 2019 represented significant milestones in our 5-year growth plan, finishing the year strong with 337 restaurants in operation. Despite minor development delays and non-cash impacts to reported net earnings, we were pleased with fiscal 2019 results of achieving 12.2% EBITDA growth while developing and renovating a record number of new locations. We continue to transform our restaurant portfolio through the development of new locations and renovation of existing locations, offering both guests and employees more conveniences. Looking ahead to 2020, we are forecasting a transformative year, with robust sales growth of approximately \$100 million that includes the rollout of breakfast in our Wendy's restaurants, new restaurant development, modernizations and the continued development of our new Morning Belle breakfast, brunch and lunch restaurant concept. Operational excellence continues to be our inspiration, leveraging the Company's best-in-class 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)

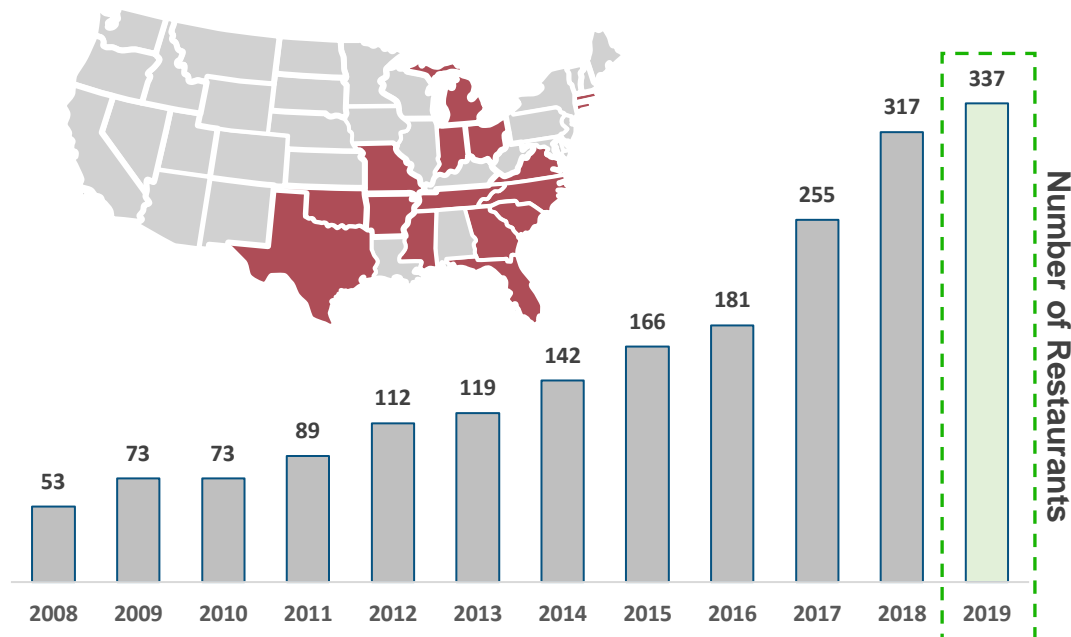




# Concept Overview

## 2019 Full-Year Highlights:

- ✓ Sales increased 7.4% to \$467.5 million compared to \$435.3 million last year
- ✓ Consolidated EBITDA (a non-GAAP measure) increased 12.2% to \$44.6 million compared to \$39.7 million last year
- ✓ The Company developed or acquired a net of 20 restaurants during the year, to finish with 337 restaurants in operation across 16 states
- ✓ Common stock dividends increased 60% to \$0.24 per share compared to \$0.15 last year



## Looking Ahead: Resilient Business Model:

- ✓ Speed, convenience and affordability have been differentiators in quick service restaurant operations in past times of economic stress
- ✓ Wendy's restaurants are built for off premise sales, with approximately 70% of normal sales generated through the restaurant drive-thru, which remain open and operating
- ✓ The Wendy's system offers digital and delivery options for additional off-premise sales
- ✓ Lower gas prices decrease supply delivery costs and increase consumer disposable income
- ✓ Low interest rates provide efficient capital for future growth opportunities

Excerpt from Meritage Hospitality Group Press Release Dated April 16, 2020:

"Our geographical footprint and drive-thru operations have allowed us to continue serving the changing needs of guests as people adapt to local government orders. We are grateful to our employees, delivery drivers and supply-chain operators for continuing to deliver essential restaurant food items."

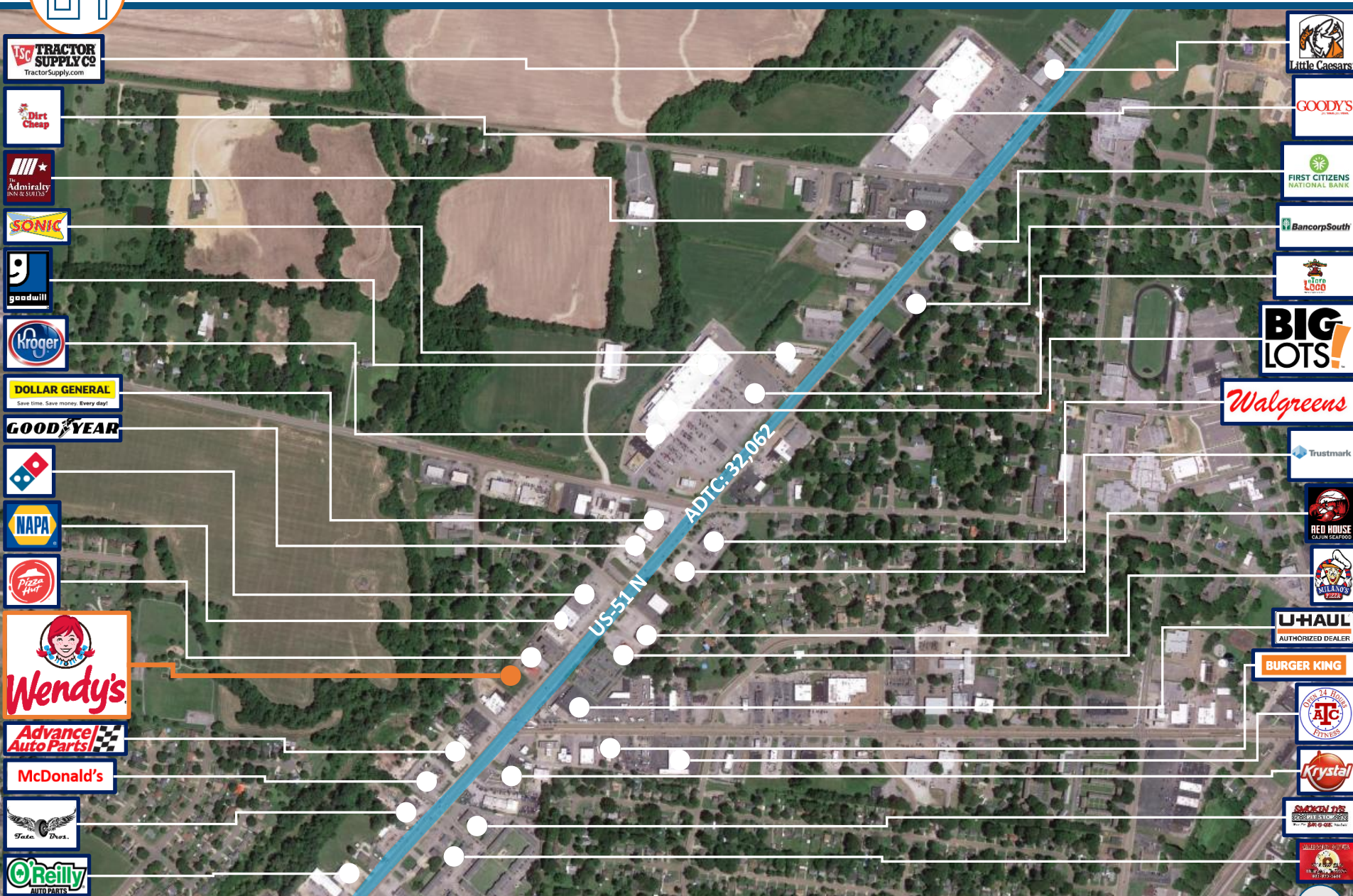
- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





# Surrounding Area

Wendy's







# Location Overview

This Wendy's property is located at 7895 US-51 N in Millington, TN. Millington is a city in Shelby County and is located less than twenty miles outside of Memphis, TN.

## SURROUNDING RETAIL & POINTS OF INTEREST

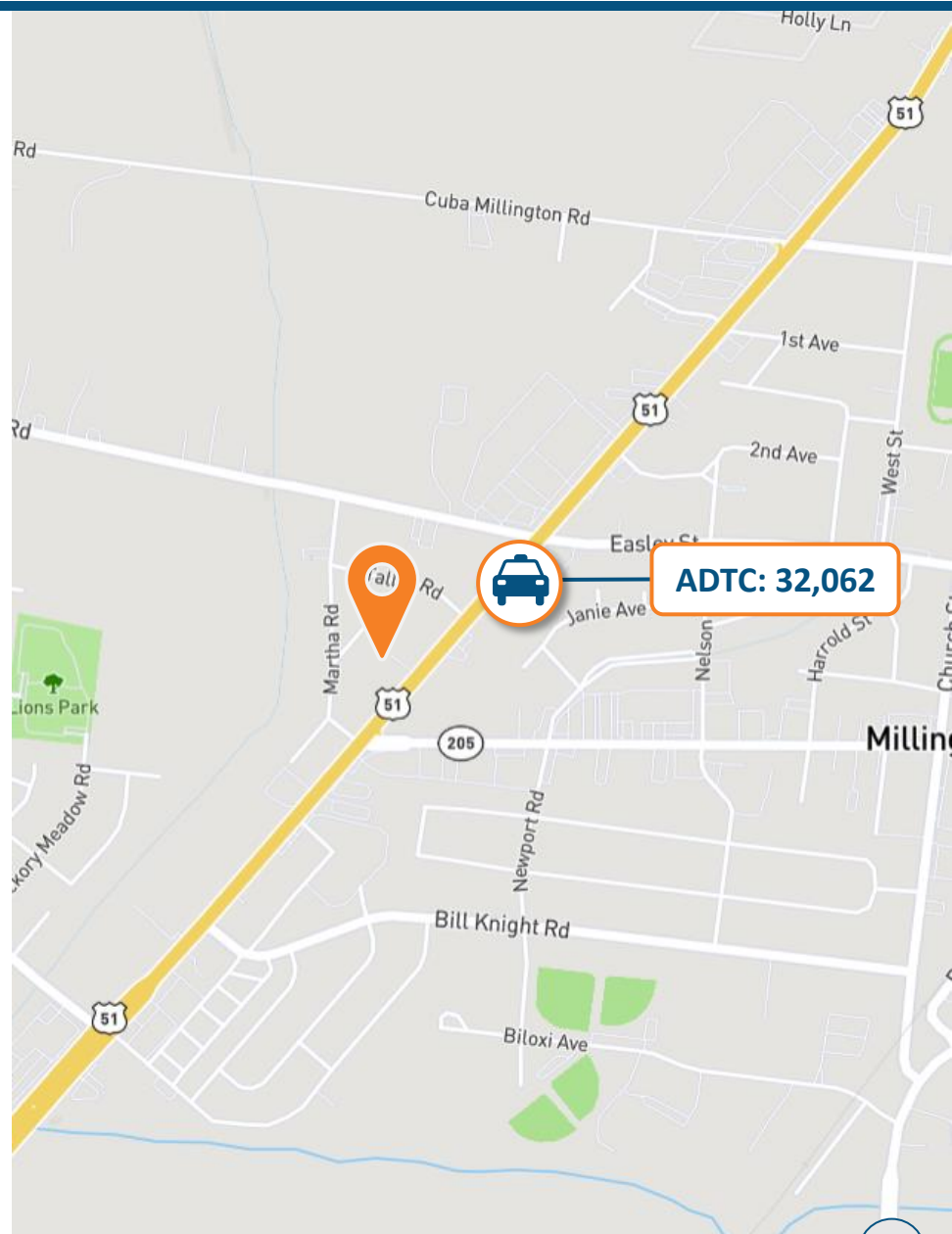
The subject property is located in a dense retail corridor surrounded by national and local tenants, shopping centers, academic institutions, and airports. Major national tenants in the surrounding area include Tractor Supply Co., Dollar General, Big Lots, Goody's, Advance Auto Parts, Kroger, Goodwill, NAPA Auto Parts, O'Reilly Auto Parts, Walgreens, Burger King, Pizza Hut, McDonalds, Sonic, as well as many more. The subject property benefits from being located within a five-mile radius of several academic institutions. Most notable of these being Millington Central High School and Millington Middle School, located exactly one mile from the subject property, with a combined enrollment of approximately 1,5000 students.

## TRAFFIC COUNTS & DEMOGRAPHICS

This subject property benefits from being situated on TN-3 which boast average daily traffic counts of approximately 32,062 vehicles. There are approximately 21,506 individuals residing within a five-mile radius of the subject property and 169,631 individuals within a ten-mile radius.

## MEMPHIS, TN

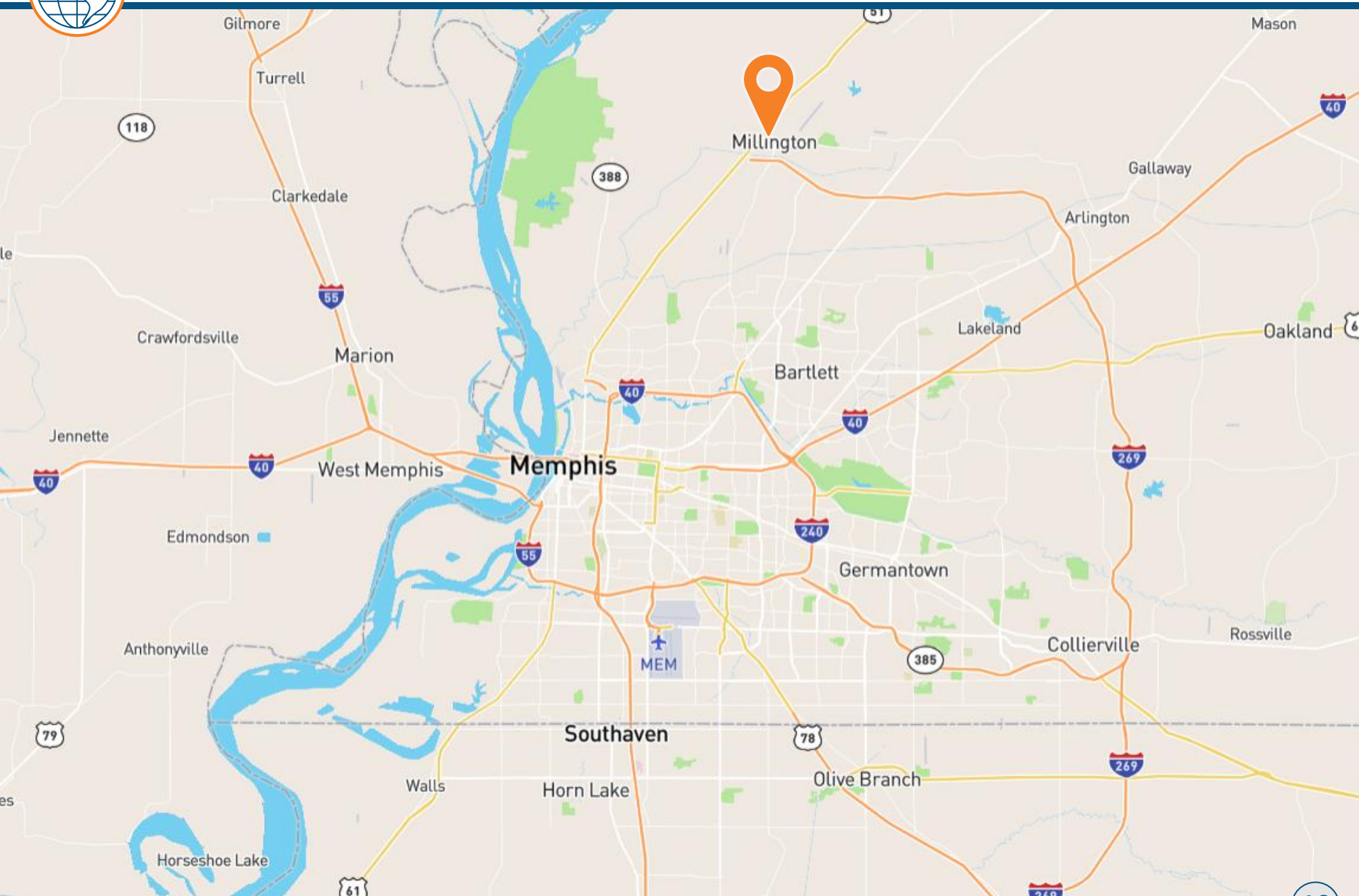
Memphis is the birthplace of Rock n' Roll and the home of the Blues. It's also home to the National Civil Rights Museum, Beale Street, the Memphis Rock and Soul Museum, the National Ornamental Metal Museum and Graceland, the second most visited residence in the United States. Memphis still has a vibrant 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

Wendy's







# Demographics



	3 Miles	5 Miles	10 Miles
<b>POPULATION</b>			
2025 Projection	11,117	21,304	170,556
2020 Estimate	11,261	21,506	169,631
2010 Census	11,356	21,667	167,975
2000 Census	12,564	21,916	153,165
<b>INCOME</b>			
Average	\$62,740	\$65,903	\$71,989
Median	\$48,480	\$53,262	\$57,025
Per Capita	\$24,179	\$24,104	\$25,256
<b>HOUSEHOLDS</b>			
2025 Projection	4,259	7,743	59,996
2020 Estimate	4,275	7,751	59,315
2010 Census	4,335	7,836	58,781
2000 Census	4,381	7,635	53,163
<b>HOUSING</b>			
2020	\$154,186	\$152,036	\$156,392
<b>EMPLOYMENT</b>			
2020 Daytime Population	17,689	23,632	118,369
2020 Unemployment	4.15%	4.19%	3.68%
2020 Median Time Traveled	27 Mins	29 Mins	28 Mins
<b>RACE &amp; ETHNICITY</b>			
White	62.98%	61.39%	47.04%
Native American	0.09%	0.07%	0.06%
African American	26.77%	29.37%	46.73%
Asian/Pacific Islander	2.32%	1.67%	1.46%

Glen Kunofsky

[Glen.Kunofsky@marcusmillichap.com](mailto:Glen.Kunofsky@marcusmillichap.com)

212.430.5115

Nicoletti DePaul

[Nicoletti.DePaul@marcusmillichap.com](mailto:Nicoletti.DePaul@marcusmillichap.com)

212.430.5186

Ryan Sblendorio

[Ryan.Sblendorio@marcusmillichap.com](mailto:Ryan.Sblendorio@marcusmillichap.com)

212.430.5274

Amelia Haydock

[Amelia.Haydock@marcusmillichap.com](mailto:Amelia.Haydock@marcusmillichap.com)

646.805.1476

# Marcus & Millichap

## EXCLUSIVE NET LEASE OFFERING



TN BROKER OF RECORD:

Jody McKibben

Marcus & Millichap

Lic # 307629