

# WENDY'S

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



# OFFERING MEMORANDUM



1428 Capital Ave NE  
Battle Creek, MI 49017

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# Investment Highlights

## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Dense Retail Corridor | Family Dollar, O'Reilly Auto Parts, Ace Hardware, Family Fare Supermarket, AutoZone Auto Parts, KFC, McDonalds, Taco Bell, Subway and Many More
- ✓ Strong Traffic Counts | Capital Ave Boasts Average Daily Traffic Counts of Approximately 14,461 Vehicles
- ✓ Heavily Populated Area | There are More Than 66,500 Individuals Residing within a Five-Mile Radius
- ✓ Compelling Location Fundamentals | Situated Right Next to Bailey Park | Large Multi-Use Park that is Well Known for Hosting Baseball and Softball Tournaments

## 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: \$2,095,238 | CAP RATE: 5.25% | RENT: \$110,000

## THE OFFERING

Purchase Price	\$2,095,238
CAP Rate	5.25%
Annual Rent	\$110,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	1428 Capital Ave NE
City, State ZIP	Battle Creek, MI 49017
Open Date	2002
Building Size (SF)	3,378
Lot Size (Acres)	+/- 1.47
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	\$110,000	\$9,167	-
Year 2	\$110,000	\$9,167	-
Year 3	\$111,375	\$9,281	1.25%
Year 4	\$112,767	\$9,397	1.25%
Year 5	\$114,177	\$9,515	1.25%
Year 6	\$115,604	\$9,634	1.25%
Year 7	\$117,049	\$9,754	1.25%
Year 8	\$118,512	\$9,876	1.25%
Year 9	\$119,994	\$9,999	1.25%
Year 10	\$121,493	\$10,124	1.25%
Year 11	\$123,012	\$10,251	1.25%
Year 12	\$124,550	\$10,379	1.25%
Year 13	\$126,107	\$10,509	1.25%
Year 14	\$127,683	\$10,640	1.25%
Year 15	\$129,279	\$10,773	1.25%
Year 16	\$130,895	\$10,908	1.25%
Year 17	\$132,531	\$11,044	1.25%
Year 18	\$134,188	\$11,182	1.25%
Year 19	\$135,865	\$11,322	1.25%
Year 20	\$137,564	\$11,464	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 1428 Capital Ave NE in Battle Creek, MI. The property consists of 3,378 square feet of building space and is situated on approximately 1.47 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®," 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® 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. 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."*

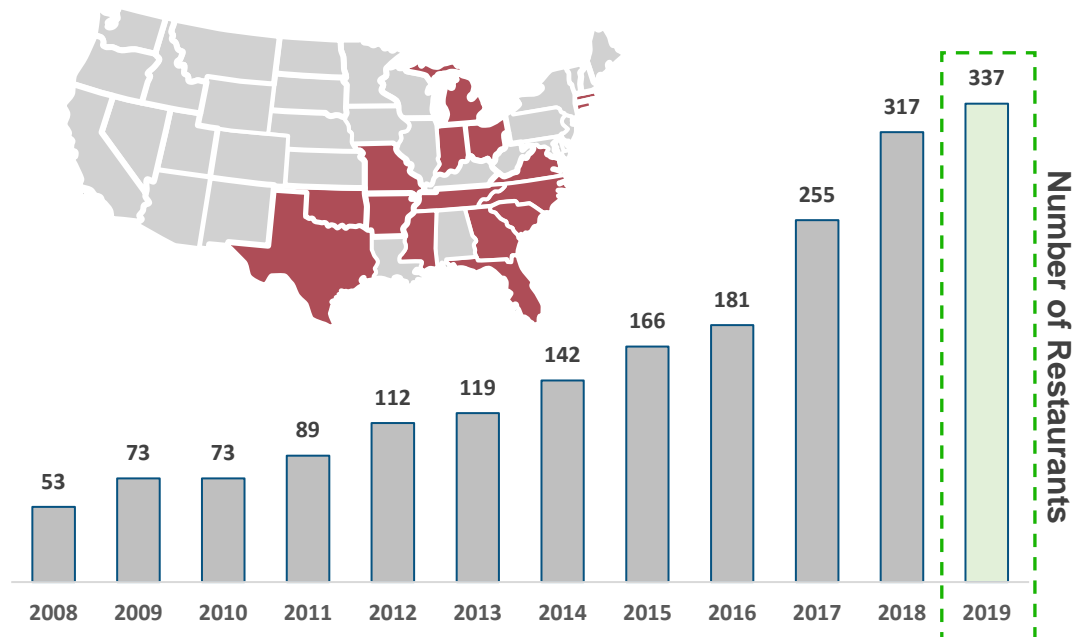


- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





- ✓ 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



- ✓ **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 1428 Capital Ave NE in Battle Creek, MI. Battle Creek is a city in the Calhoun County located just under 30 miles from Kalamazoo.

## SURROUNDING RETAIL & POINTS OF INTEREST

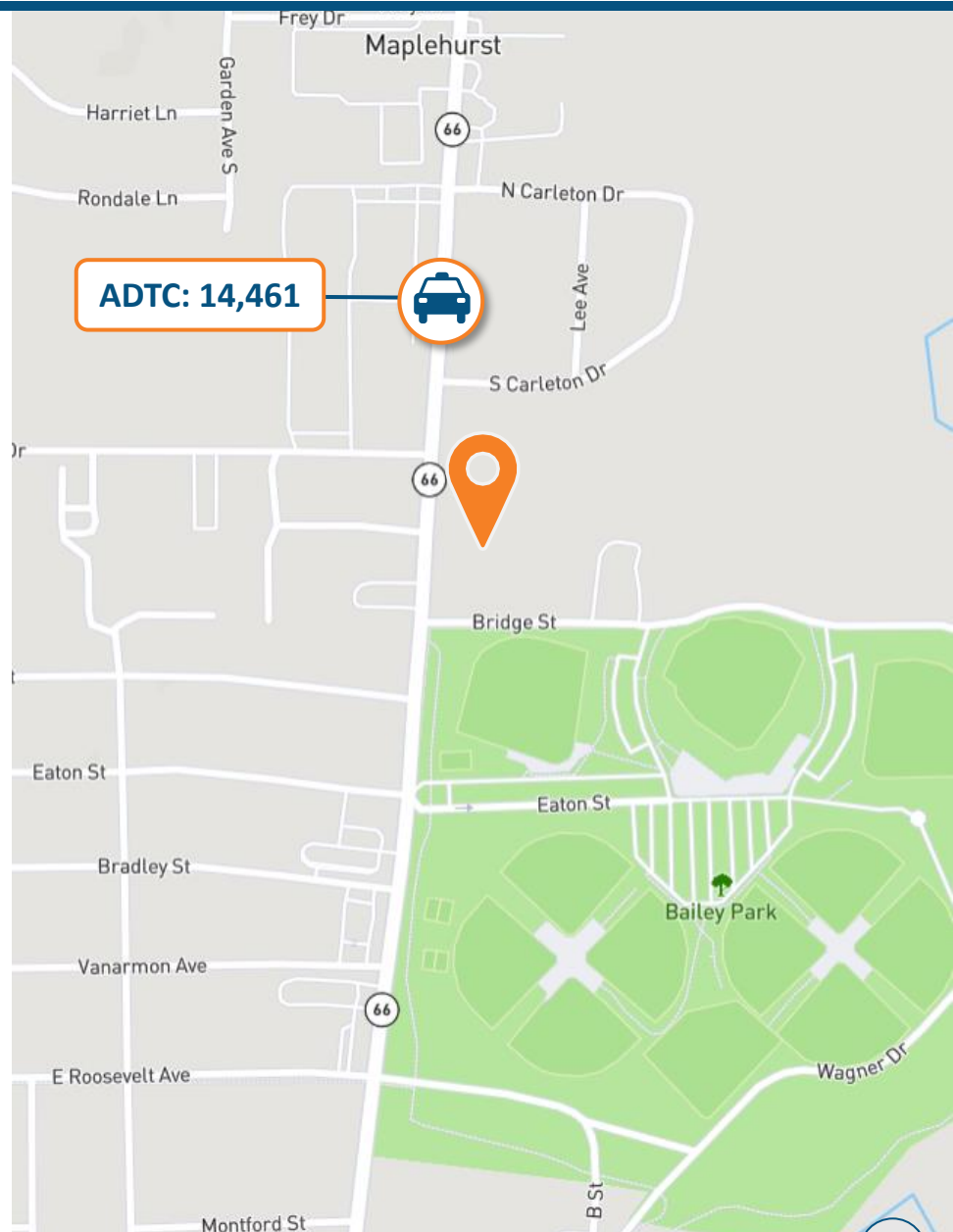
The subject property is well positioned in a dense retail corridor surrounded by national and local tenants, shopping centers and recreational facilities. Major national tenants in the surrounding area include Family Dollar, O'Reilly Auto Parts, Ace Hardware, Family Fare Supermarket, AutoZone Auto Parts, KFC, McDonalds, Taco Bell, Subway, as well as many others. Located right next to the subject Wendy's is Bailey Park. Boasting more than 80 acres, Bailey Park is a multi-use park that features three full-sized baseball stadiums, including the 6,000 seat C.O. Brown Stadium; two quadra-plex softball diamonds, four sand volleyball courts; a playground and 12 shuffleboard courts. Bailey Park is also home to the Northwood League's Battle Creek Bombers, a summer baseball league comprised of teams of the top college players from across the nation and North America. Bailey Park has evolved into a facility with a reputation for hosting some of the finest baseball and softball tournaments in the country.

## TRAFFIC COUNTS & DEMOGRAPHICS

There are approximately 66,502 people residing within a five-mile radius and 100,859 people within a ten-mile radius of the subject property. This Wendy's property benefits from premium frontage along Capital Ave. Capital Ave boasts average daily traffic counts of approximately 14,461 vehicles.

## BATTLE CREEK, MI

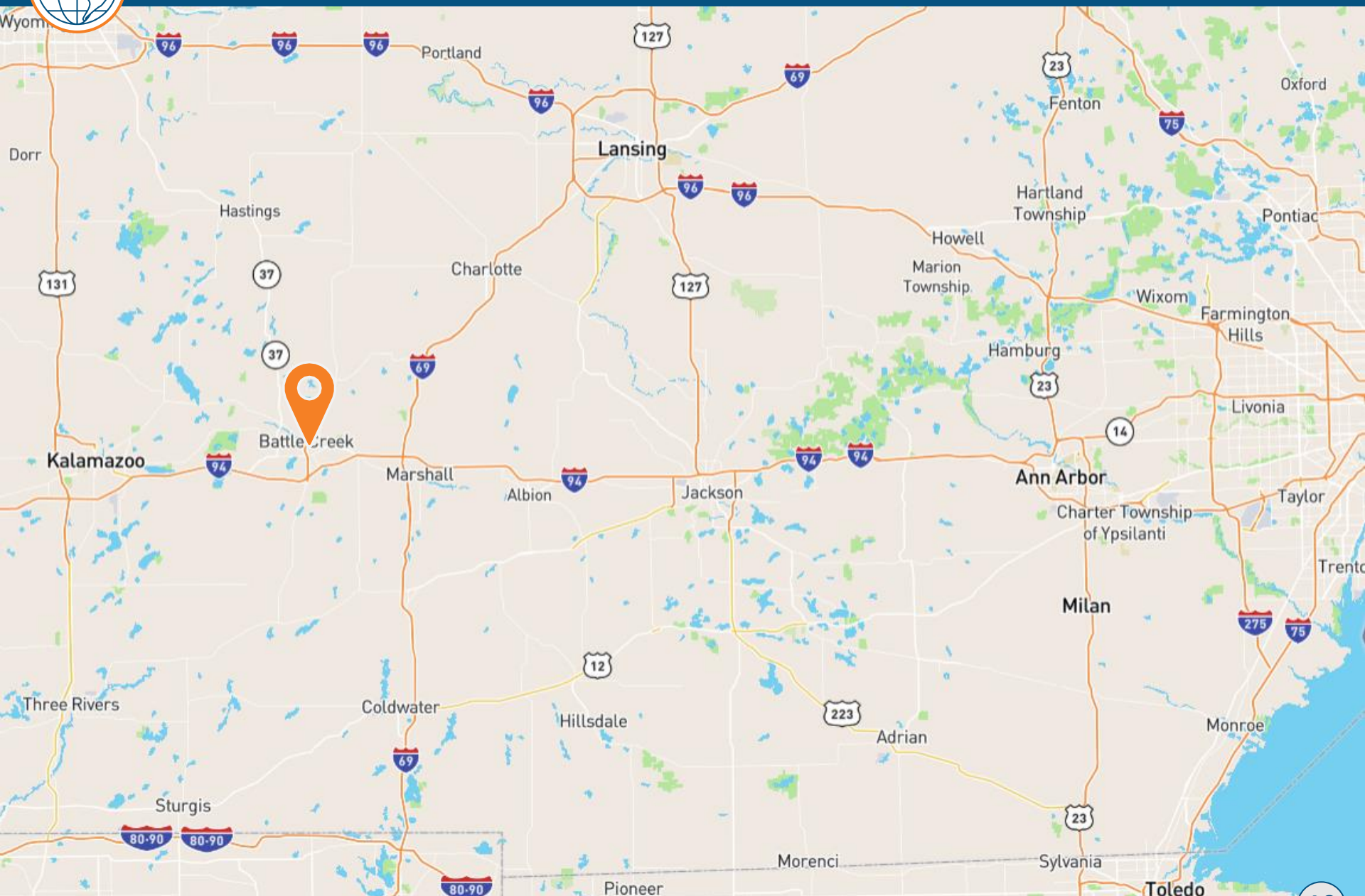
Battle Creek is a city in the U.S. state of Michigan, in northwest Calhoun County, at the confluence of the Kalamazoo and Battle Creek rivers. It is the principal city of the Battle Creek, Michigan Metropolitan Statistical Area, which encompasses all of Calhoun County. It is best known as the home of the Kellogg Company. Battle Creek is located just under 30 miles from Kalamazoo, MI. Kalamazoo is a city in the southwest region of the U.S. state of Michigan. It is the county seat of Kalamazoo County. Kalamazoo is equidistant from the major American cities of Chicago and Detroit, each less than 150 miles away. One of Kalamazoo's most notable features is the Kalamazoo Mall, an outdoor pedestrian shopping mall. The city created the mall in 1959 by closing part of Burdick Street to auto traffic, although two of the mall's four blocks have been reopened to auto traffic since 1999. Kalamazoo is home to Western Michigan University, a large public university, Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College, a two-year community college.





# Regional Map

Wendy's







# Demographics



	3 Miles	5 Miles	10 Miles
<b>POPULATION</b>			
2025 Projection	31,910	65,774	99,838
2020 Estimate	32,372	66,502	100,859
2010 Census	32,804	67,099	101,468
2000 Census	35,072	70,463	102,281
<b>INCOME</b>			
Average	\$51,526	\$55,336	\$63,655
Median	\$38,140	\$41,741	\$47,386
Per Capita	\$20,334	\$22,376	\$25,679
<b>HOUSEHOLDS</b>			
2025 Projection	12,268	26,224	39,940
2020 Estimate	12,420	26,454	40,204
2010 Census	12,704	26,926	40,792
2000 Census	13,600	28,324	40,640
<b>HOUSING</b>			
2020	\$91,478	\$99,443	\$122,094
<b>EMPLOYMENT</b>			
2020 Daytime Population	34,019	67,128	105,046
2020 Unemployment	5.06%	4.54%	4.10%
2020 Median Time Traveled	21 Mins	20 Mins	21 Mins
<b>RACE &amp; ETHNICITY</b>			
White	65.44%	73.48%	77.59%
Native American	0.02%	0.02%	0.03%
African American	23.67%	15.78%	11.86%
Asian/Pacific Islander	1.20%	2.40%	3.57%



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## EXCLUSIVE NET LEASE OFFERING



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