

meritage
HOSPITALITY GROUP

The Nations Premier
Franchise Operator.



MHGU
LISTED
OTCQX

2024 CEO's Report Driving Growth Initiatives

May 21, 2024



SAFE HARBOR STATEMENT

Certain information in this Meritage presentation, particularly information regarding future economic performance and finances, targets and plans, expectations and objectives of management, constitutes forward-looking statements. Factors set forth in our Safe Harbor Statement, in addition to other possible factors not listed, could affect the Company's actual results and cause such results to differ materially from those expressed in forward-looking statements. Please review the Company's Safe Harbor Statement at <http://www.meritagehospitality.com>



Wendy's[®]

Two Months Ago



Kirk Tanner
New Wendy's President & CEO

Deliver
GLOBAL

**Restaurant
Economic Model**



**CINNABON®
PULL-APART**



**ORANGE
DREAMSICLE
FROSTY®**

**FROSTY™
CREAM
COLD
BREW**



Leveraging Technology to Support Margin Expansion



~\$30M

Investment in Digital Menu Board Rollout & Enhanced Capabilities for US System

Dynamic Pricing & Menu Offerings

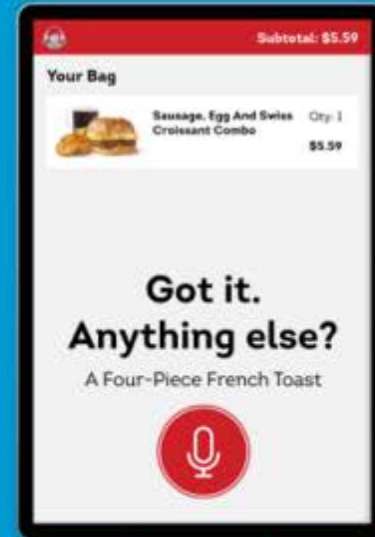
Upsell Capabilities



Continued
VoiceAI Enabled
Drive-Thru Test

FreshAi
A WENDY'S PLATFORM

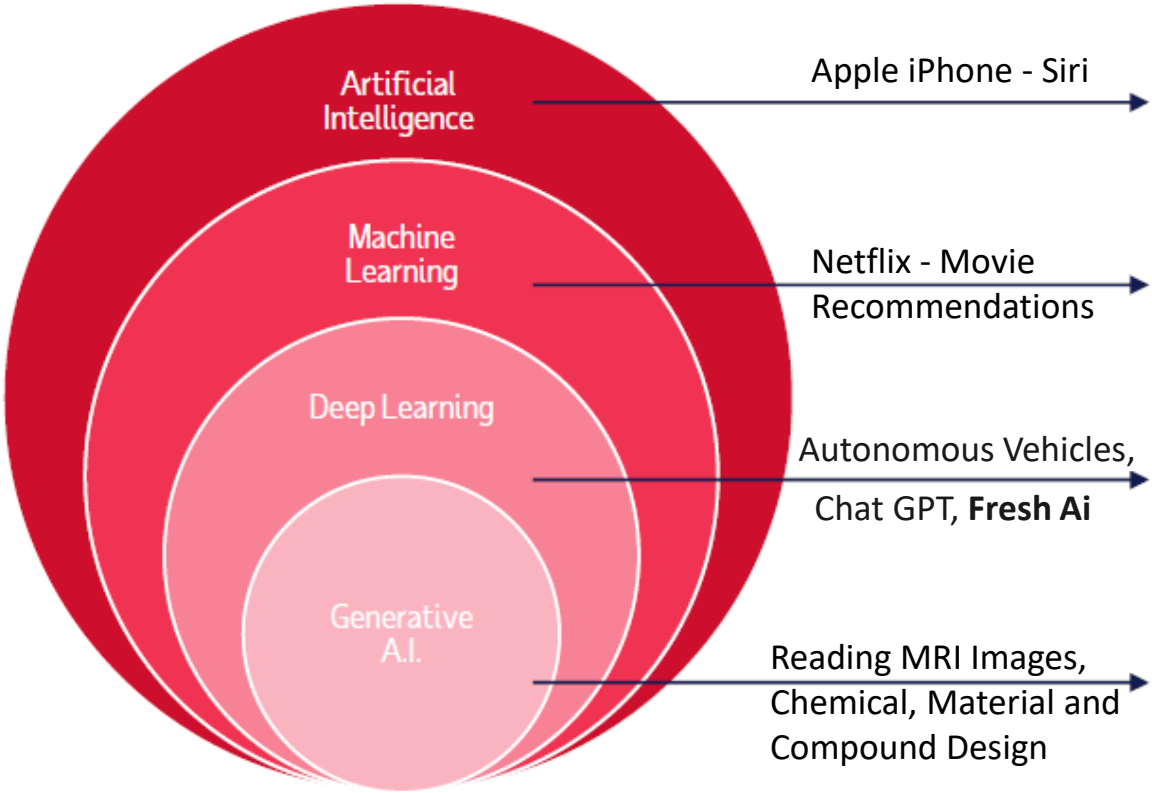
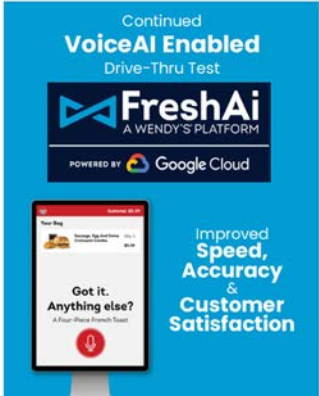
POWERED BY  Google Cloud



Improved
Speed,
Accuracy
&
Customer Satisfaction

Let's Zoom Out

Examples



Ability of a machine to imitate intelligent human behavior.

Application of AI that allows a system to automatically learn and improve from experience.

Application of ML that uses algorithms to mimic neural networks similar to the human brain to train a model.

Application of DL to create new content, such as images, videos, and text.

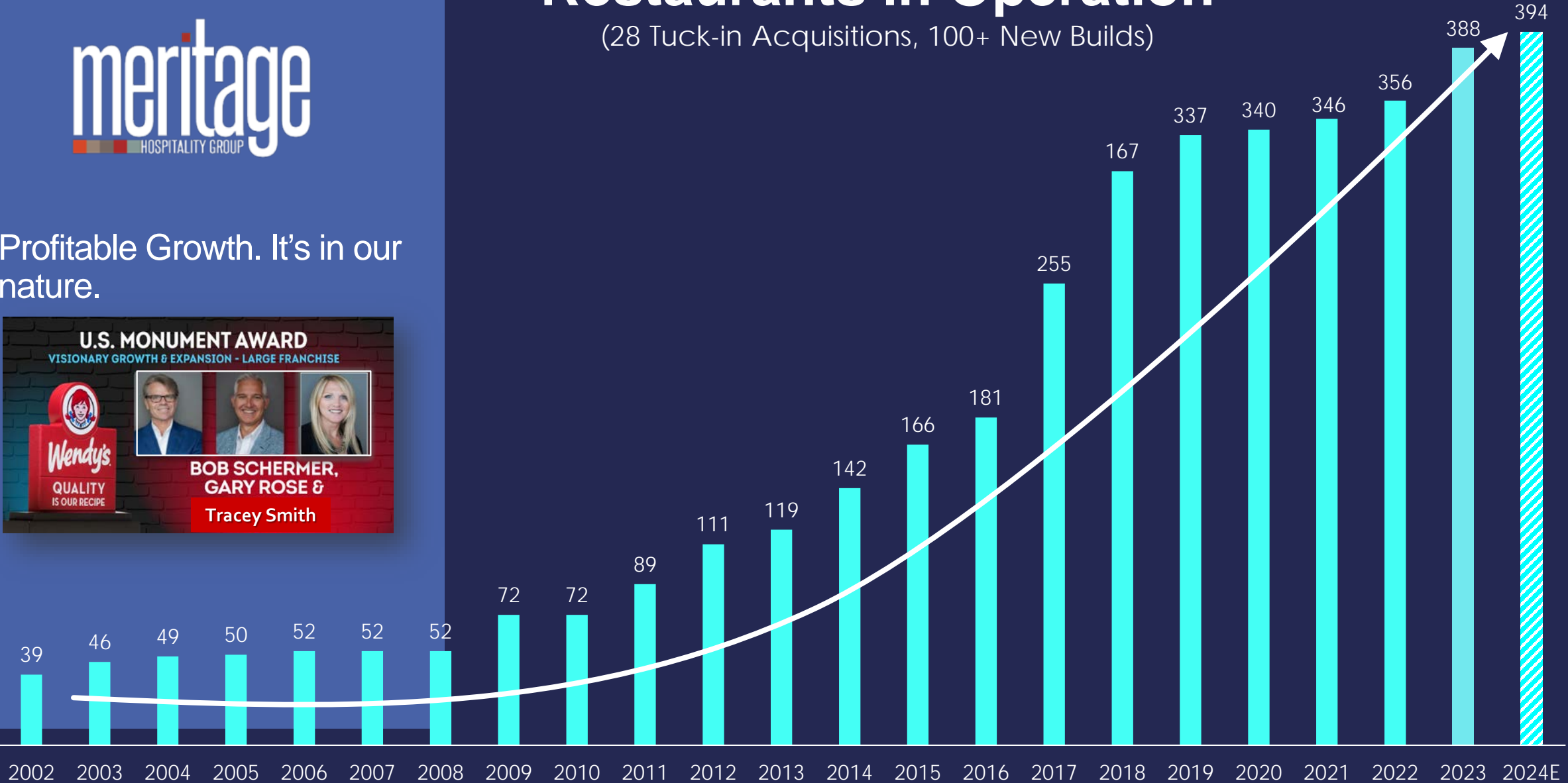


Profitable Growth. It's in our nature.



Restaurants in Operation

(28 Tuck-in Acquisitions, 100+ New Builds)



Number of Restaurants

U.S. Restaurant Locations

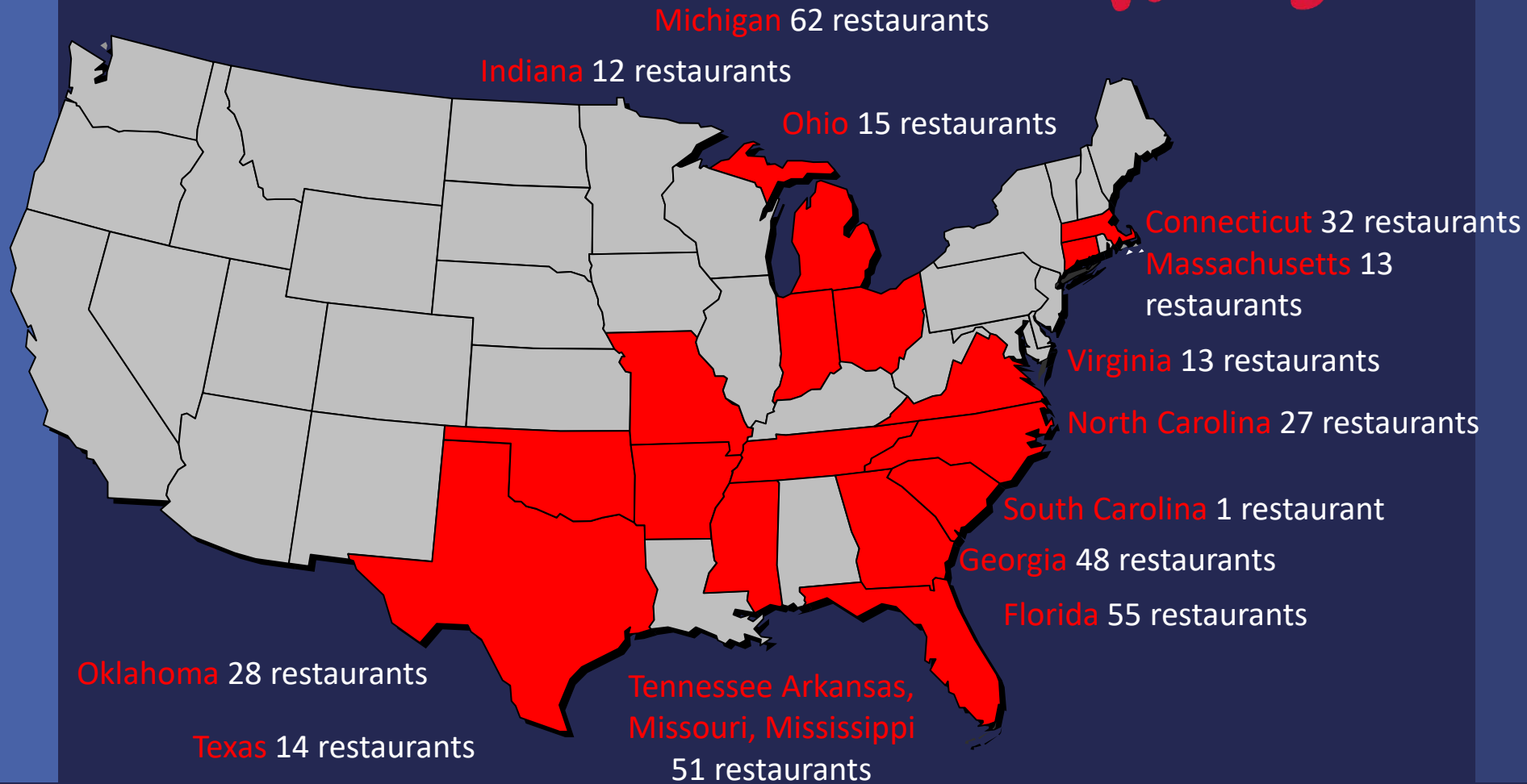
388 Restaurants



Wendy's



Inspired by Opportunity.
It's in our soul.





Full-Year 2024 Forecast

(\$ in millions)

Forecast

Item	Actual 2021	Actual 2022	Actual 2023	Forecast		Forecast Comments
				Months Actual 4 + 8 2024	% Change	
Sales	\$577.1	\$626.0	\$672.5	\$702.2	+4.4%	2024 commodity and labor Inflation heading in the right direction, combined with new value pricing adjustments support a trending improvement in operating margins
Earnings from Operations	\$18.8	\$14.0	\$17.8	\$26.5	+48.8%	
Net Earnings	\$18.2	\$9.1	\$6.0	\$10.9	+81.6%	
EBITDA	\$47.5	\$36.5	\$38.9	\$46.7	+20.0%	
Number of Restaurants	344	361	388	394	+1.5%	

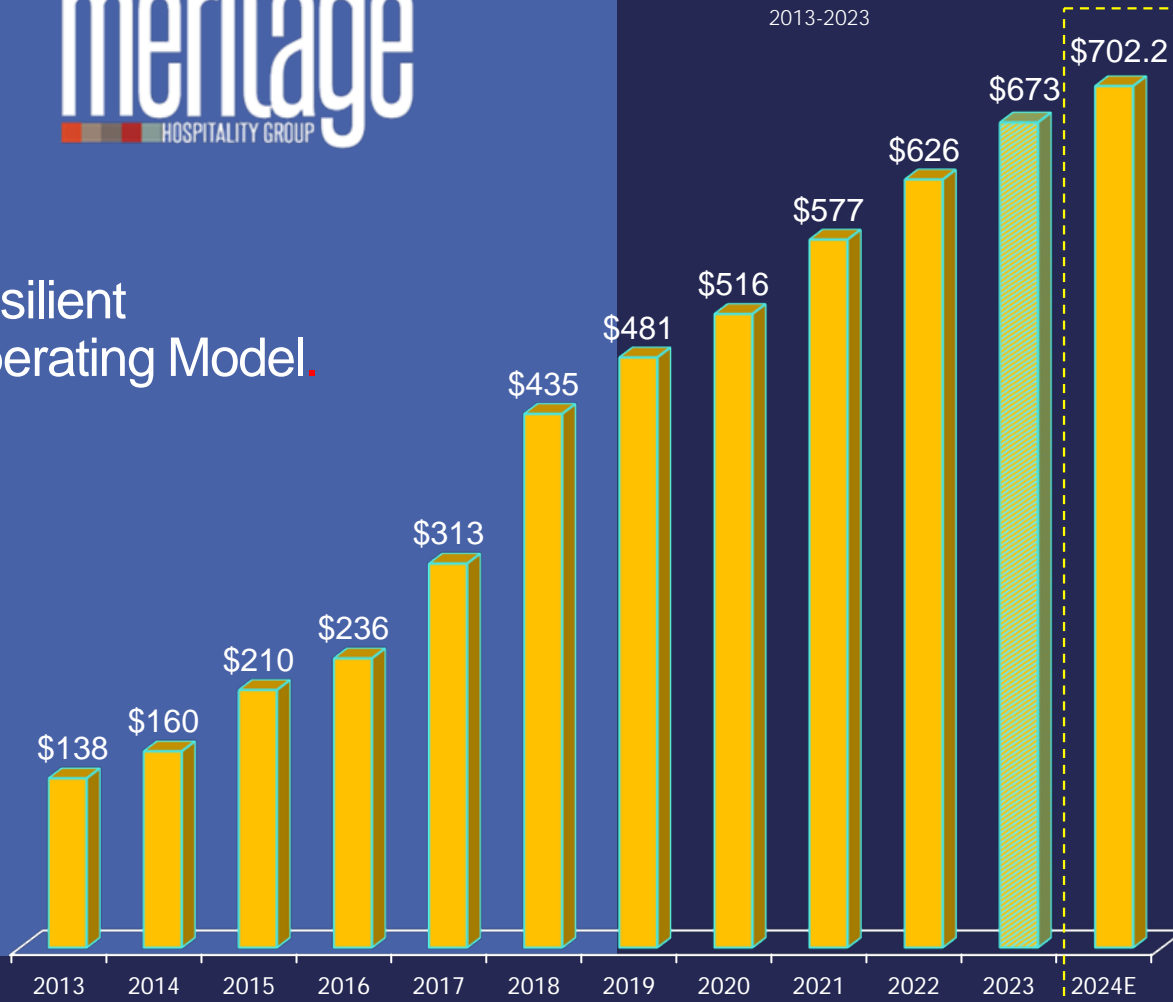


Resilient
Operating Model.

2024 Financial Targets

Sales

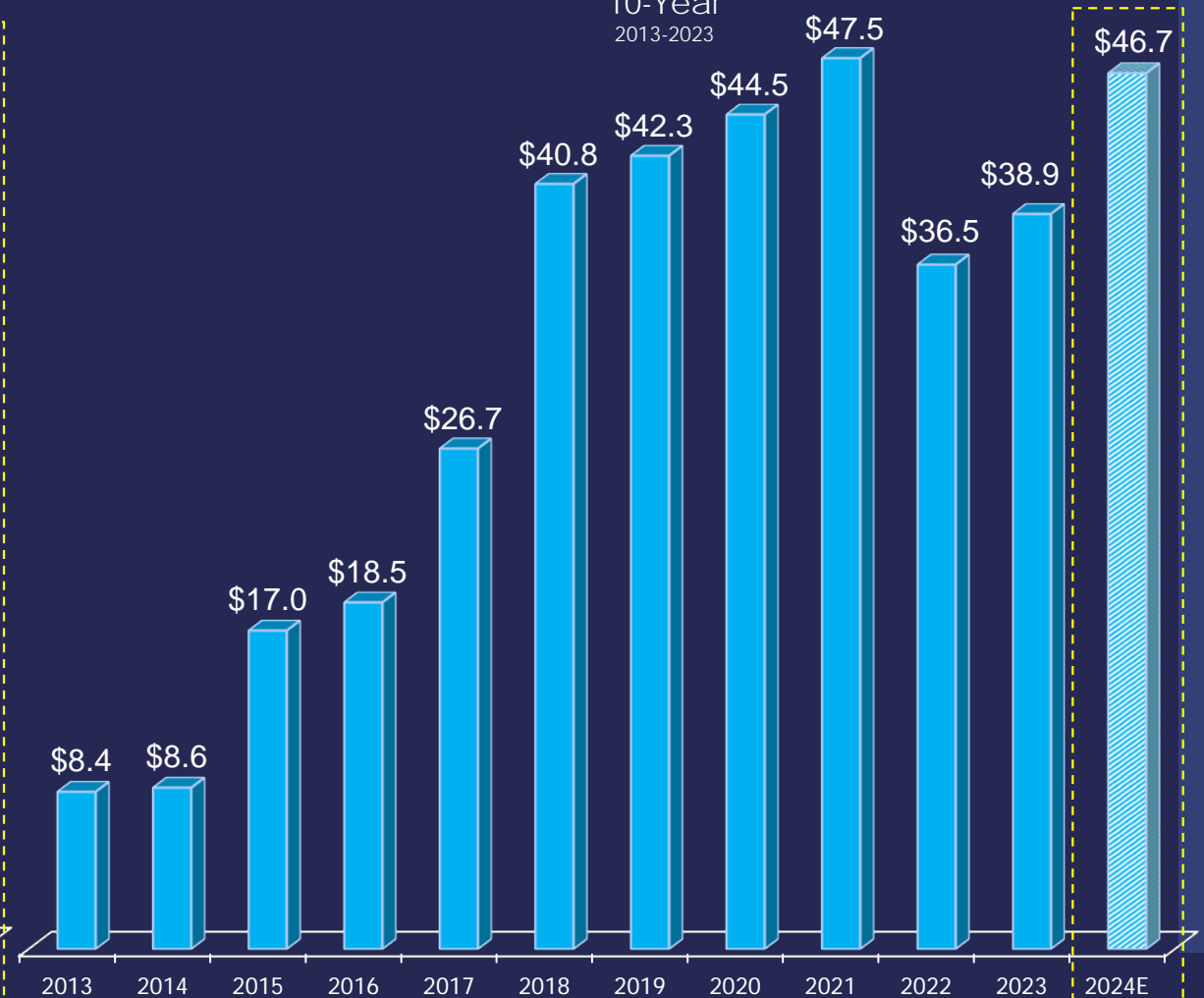
(\$ in millions)
+16.4% CAGR
10-Year
2013-2023



Target

Consolidated EBITDA

(\$ in millions)
+17.3% CAGR
10-Year
2013-2023

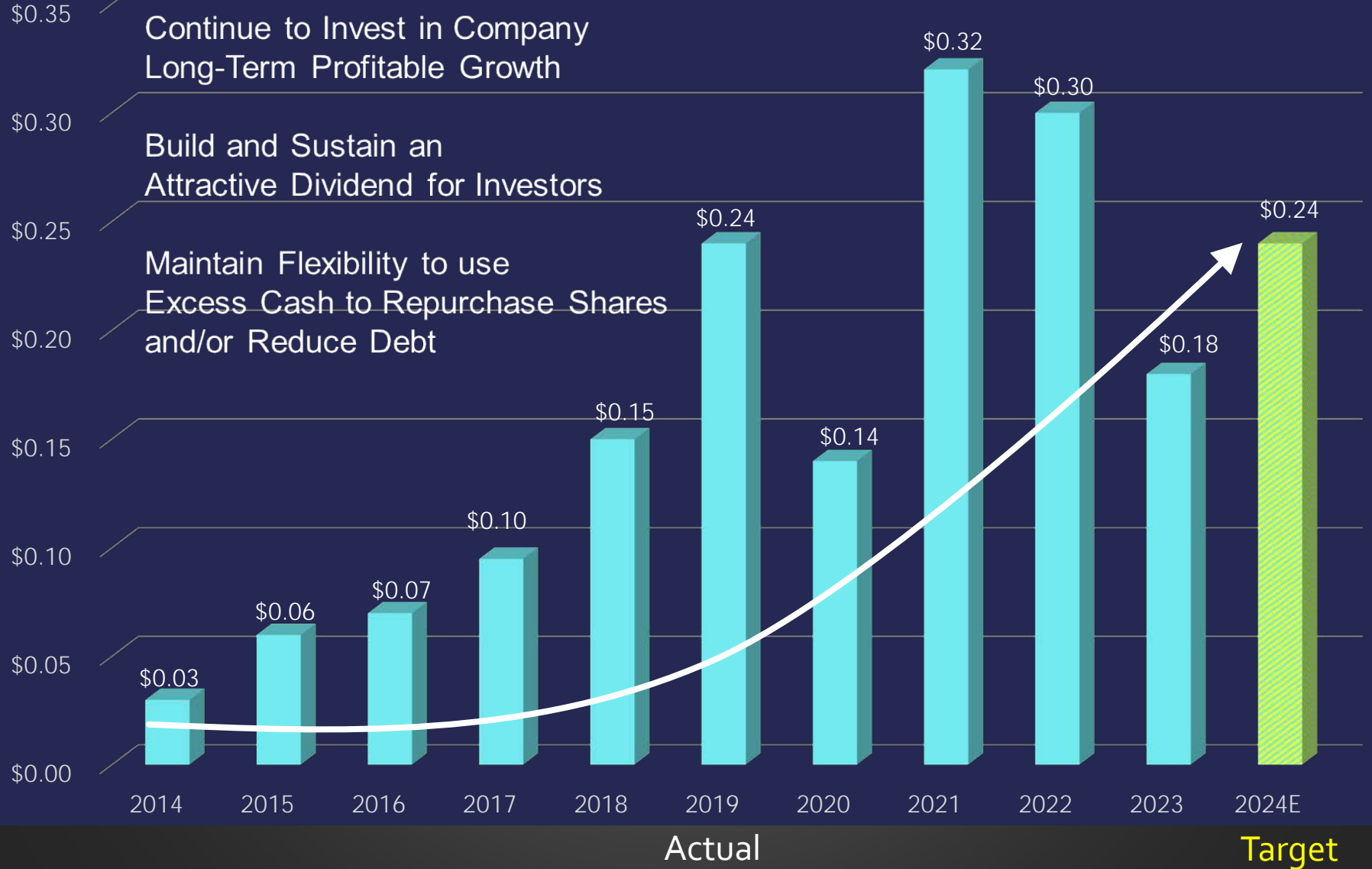


Target

Capital Allocation Strategy



10-Year Dividend
Compounded Annual Growth Rate +19.6%
2014 - 2023



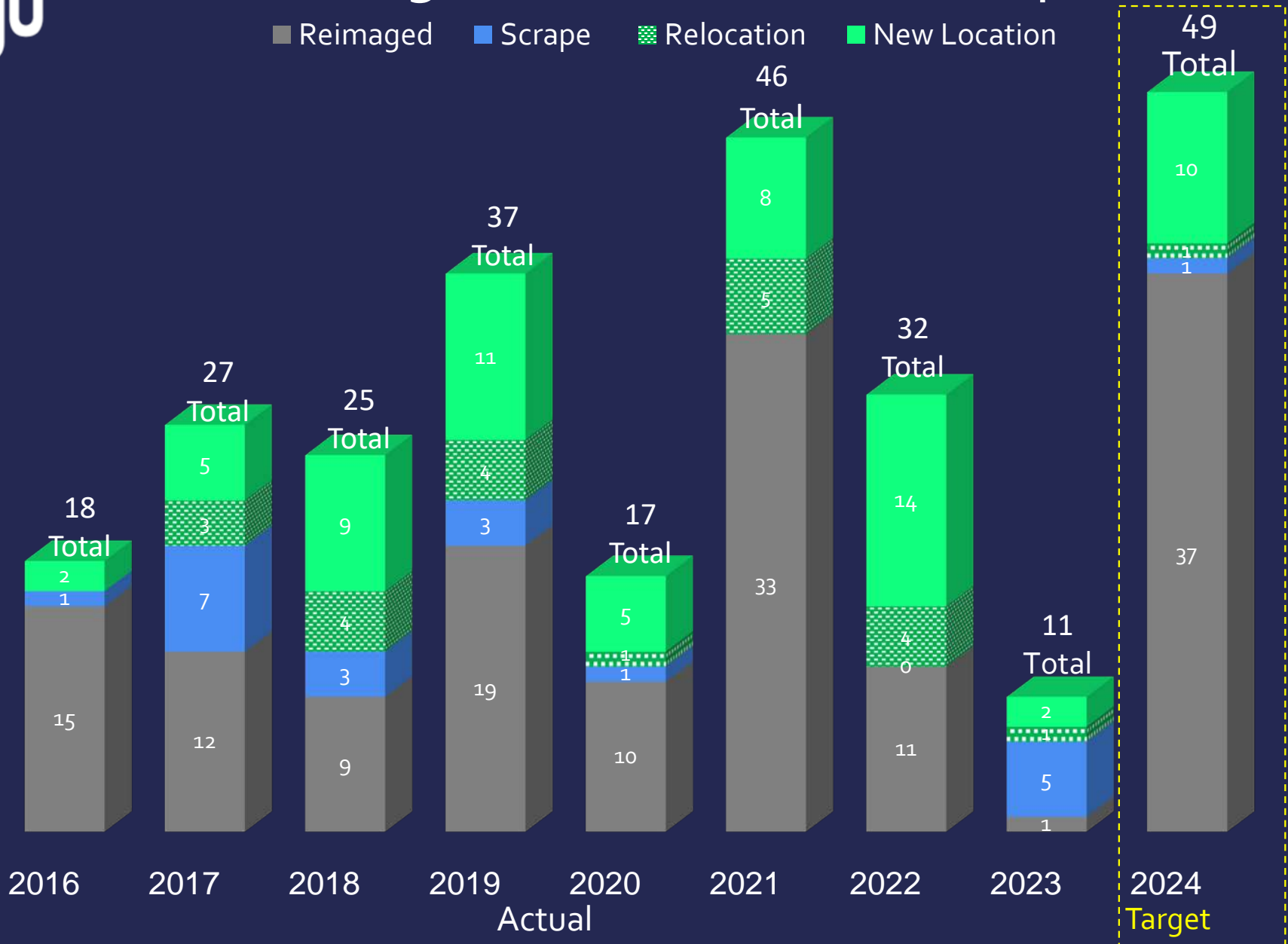
Common Stock Dividends

Leading U.S. Restaurant Developer

■ Reimagined
 ■ Scrape
 ■ Relocation
 ■ New Location

Project Pipeline

50
45
40
35
30
25
20
15
10
5
0

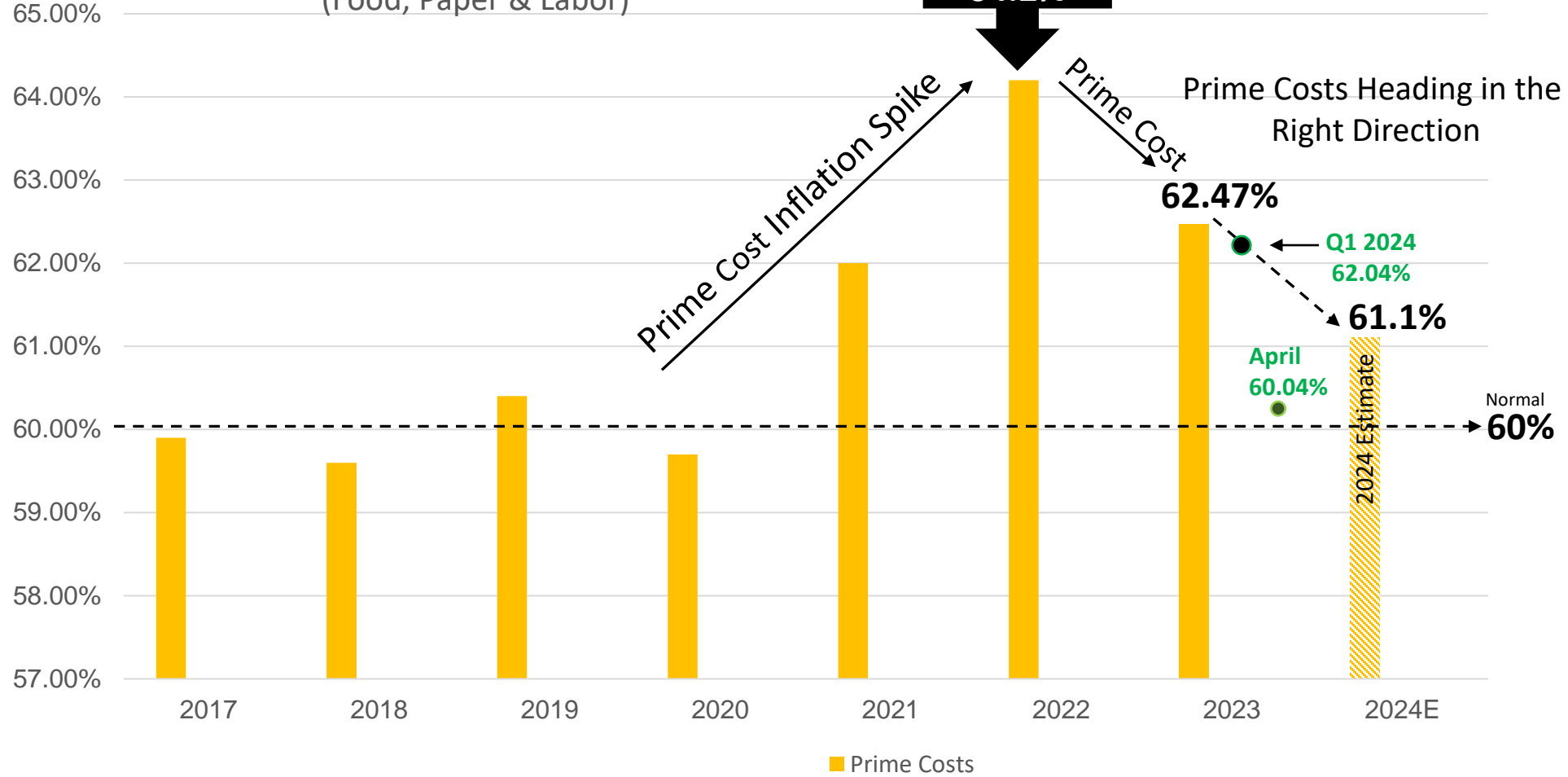




Prime Cost & Inflation

Wendy's Prime Costs
(Food, Paper & Labor)


*Excludes Beverage Rebates



Big
Earnings
Recovery
Potential

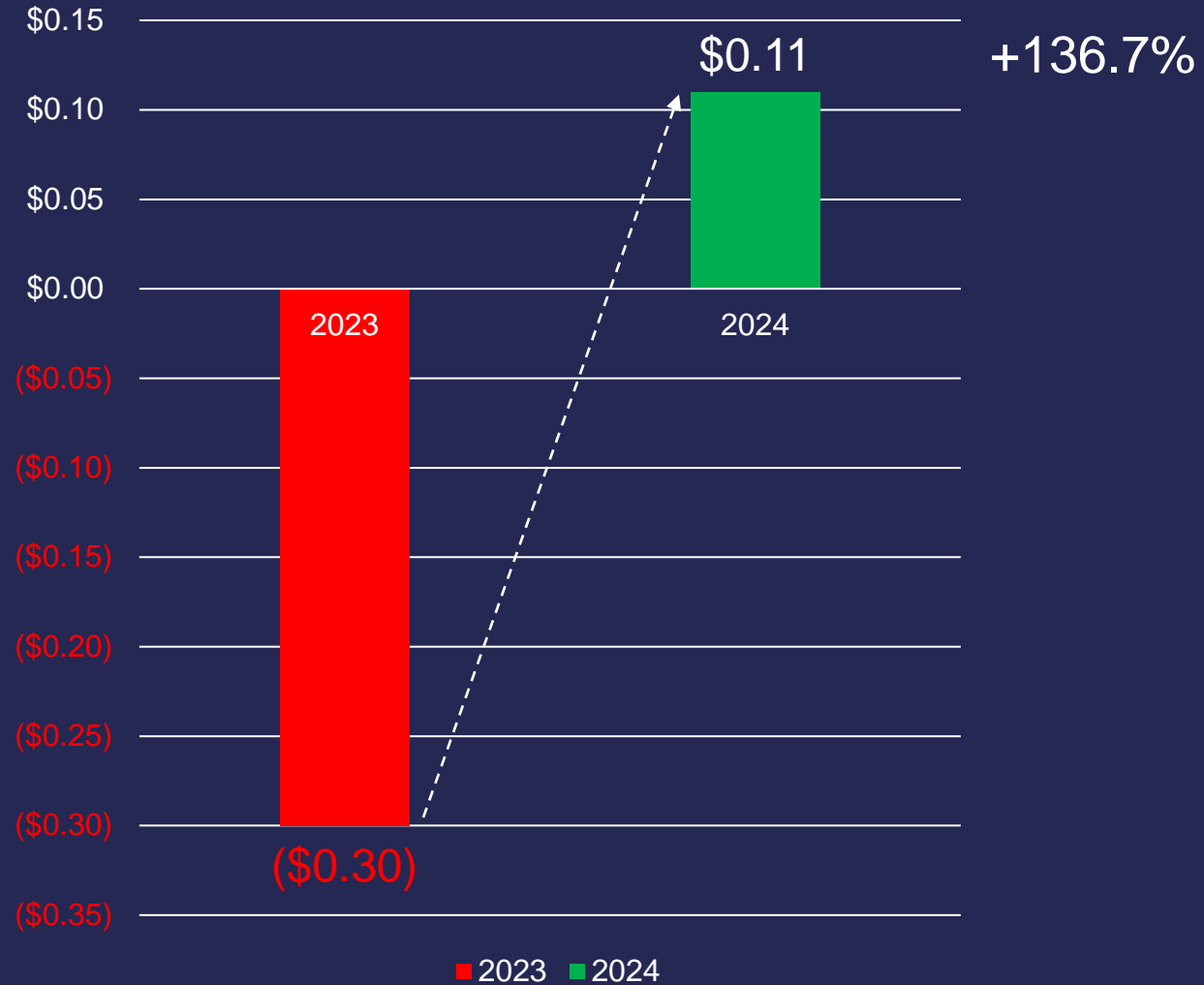
“Reversion to the Mean”

Actual



2024 First Quarter Earnings Comparison

Earnings Per Share



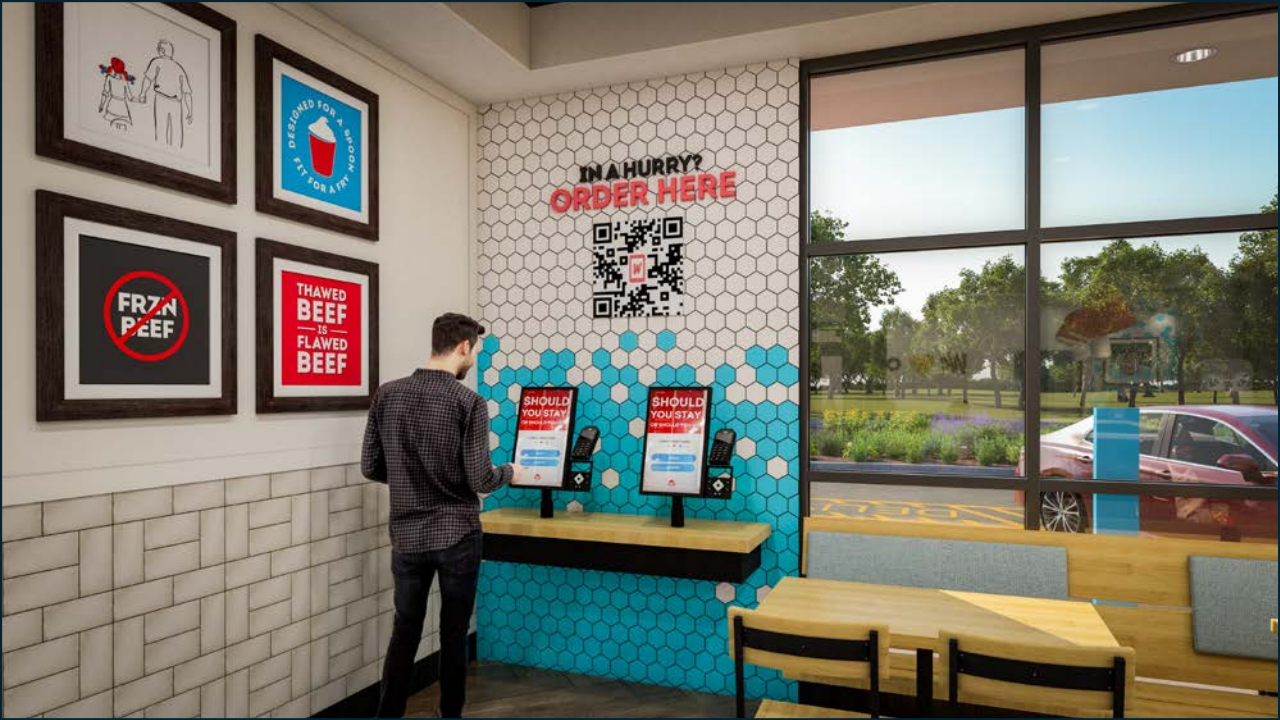
Meritage Modernization Campaign

Wendy's Stores Operating	375
Modernized – 2024 YE	320
Remaining	57
Percent Modernized YE 2024	85%

Modernization Investment to Date: \$265,000,000



Global Next Gen



Wendy's Restaurant Development Total Cost Comparison with Land

Building Costs (2019 vs Current)			
	2019 Average	Global Next Gen	
Item	2019	2023/2024 Actual	%
Building	661,272	867,776	31%
GC Costs	118,338	185,608	57%
Building - Total	779,610	1,053,384	35%
Site Costs	395,533	657,361	66%
GC Cost/Profit	66,814	95,854	43%
Site - Total	462,347	753,214	63%
Soft Costs	170,662	200,595	18%
Building & Site - Total	1,412,619	2,007,193	42%
Equipment (FFE + IT)	398,106	428,058	8%
Total Building (Site, Soft, & FFE)	1,810,725	2,435,251	35%
Land	699,825	814,404	16%
Grand Total	2,510,550	3,249,654	29%

Grand Total	\$2,510,550	\$3,249,654	+29.4%
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[The Best of Grand Rapids Winners 2024](#)
[Grand Rapids Magazine](#)

BRUNCH



MORNING
BELLE®

3-4 Unit Growth Next Twelve Months
East Michigan & West Michigan

Breakfast | Brunch





MORNING BELLE®

Highly Attractive Labor Model

BREAKFAST BRUNCH LUNCH

Cocktails

MORNING BELLE®
Breakfast · Brunch · Lunch

BRETON VILLAGE

GRAND OPENING

December 8 @ 7am

WIN FREE COFFEE FOR LIFE
Our first 100 guests gain exclusive access to our Coffee Club.

MHGU

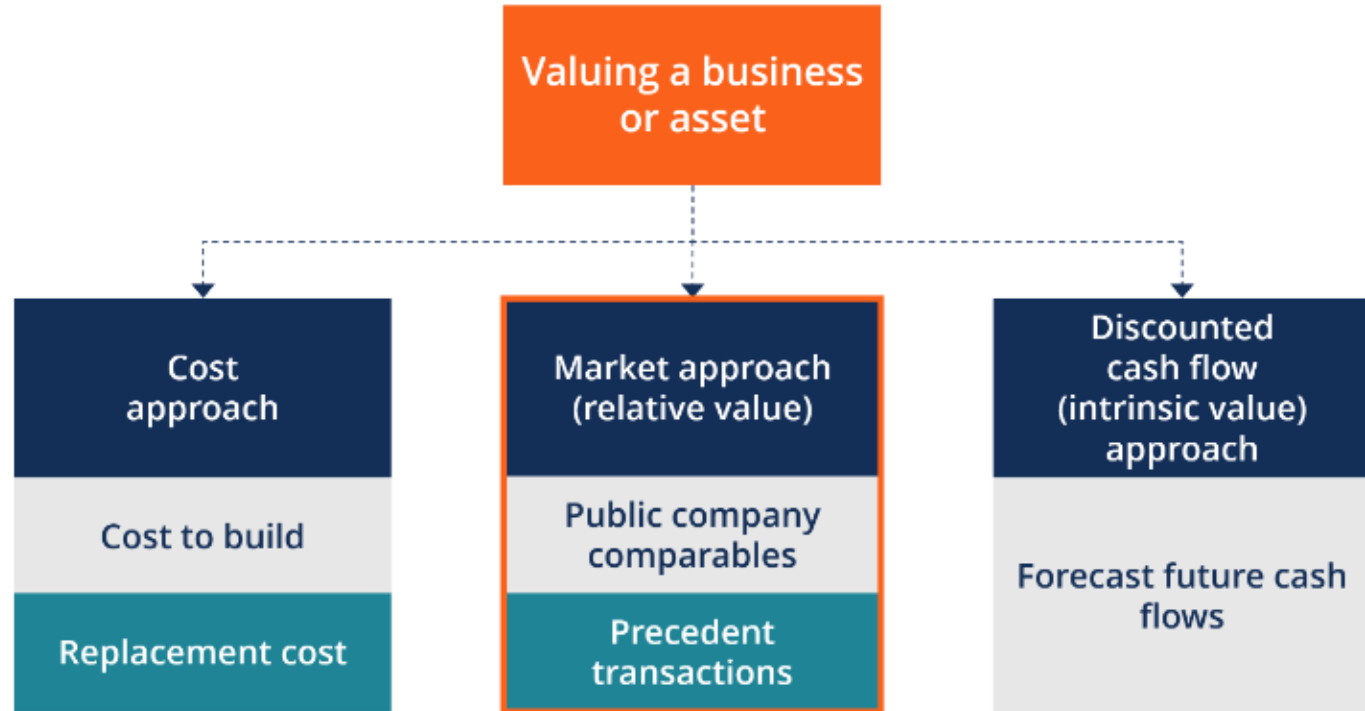
MERITAGE HOSPITALITY GROUP INC

10-Year Performance



Market Data: May 7, 2024

Future Opportunities



Market Approach

Two large Pending Franchisee Transactions



33% Minority Stake Sale

Flynn Group, world's largest franchisee, explores \$5 billion-plus sale- Feb 8, 2024

Flynn Group, which operates Applebee's, Taco Bell, Panera Bread, Arby's, Pizza Hut, **Wendy's** and Planet Fitness franchises, is working with Bank of America ([BAC.N](#)), [opens new tab](#) on a sale process, the sources said.

Flynn Group, which is based in San Francisco, generates over \$450 million of annual earnings before interest, taxes, depreciation and amortization, according to the sources.

Private equity firms and sovereign wealth funds are among the suitors for the majority stake that is up for sale, added the sources, who requested anonymity because the matter is confidential.

Ontario Teachers' Pension Plan (OTPP) and private equity firm Main Post Partners, which are investors in Flynn Group, could sell part of their stakes and remain invested following a deal, according to the sources

100% Company Sale

Press Release Details

Burger King® Company to Acquire Carrols Restaurant Group

Aggregate total enterprise value of approximately \$1.0 billion, representing 23.1% premium to Carrols 30-day volume-weighted average price as of **January 12, 2024** and a 13.4% premium to the **January 12, 2024** closing price.

QSR to Acquire Carrols Restaurant Group

This week, QSR announced plans to acquire Carrols Restaurant Group (TAST) for \$9.55/share in cash (23.1% premium to 30-day VWAP and 13.4% premium to 1/12 closing price), implying a ~\$1BN EV, with the deal expected to close in 2Q. QSR will fund the deal with \$200MM of cash on hand and \$750MM of debt, and implies ~6.6x consensus 2024 EBITDA. The transaction is expected to be relatively neutral to adj. EPS and accretive to EBITDA, and QSR is still on track to reach its stated net leverage target of mid-4x by the end of 2024. As part of the transaction, QSR will invest ~\$500MM through TAST's operating cash flow to fund ~600 remodels over the next five years. The transaction will enable Burger King to accomplish two key goals: 1) accelerate the pace of remodels, and 2) transition to a more diversified franchisee base (break up large portfolios to put in hands of smaller local operators).

Strategic Rationale and Future Plans for Portfolio

The transaction is part of Burger King's *Reclaim the Flame* plan to accelerate sales growth and drive franchisee profitability. The transaction follows the brand's initial \$400 million investment announced in September 2022 to drive high quality remodels, improve operations, enhance marketing and support ongoing technology and digital priorities.

Burger King expects to significantly accelerate Carrols' current rate of remodels to bring the acquired portfolio to modern image over the next five years. To accomplish this, the team plans to invest approximately \$500 million of capital, funded by Carrols' operating cash flow, to remodel approximately **600 acquired restaurants that are not currently considered modern image.**

*Price = equity + debt & deferred Cap-ex

Meritage Hospitality (MHGU)

2024 Outlook Suggests EBITDA Upside as Prime Costs Normalize



01/19/2024

Outperform

Price: \$19.00
Price Target: \$24.00

Industry

Consumer

Greg Gibas

(612) 460-4809
GGibas@northlandcapitalmarkets.com

Stock Data

52-Week Range	\$17.00/\$21.50
Avg. Daily Volume	302
Market Cap. (MM)	\$120
Shares Out. (MM)	6.3
Cash Per Share	\$3.89
Debt-to-Capital	83.6%
Book Value Per Share	\$18.69
Dividend Yield	0.00%
FY End	Jan
Source: Factset	

Revenue Estimates (\$M)

	2022	2023	2024
1Q	145.1A	157.7A	177.8E
2Q	161.0A	176.6A	178.1E
3Q	160.6A	170.3A	179.2E
4Q	159.4A	173.5E	180.2E
FY	626.0A	678.1E	715.3E
P/S	0.2x	0.2x	0.2x
Prev CY	--	700.4E	735.7E

Adjusted EBITDA (\$M)

	2022	2023	2024
1Q	8.4A	5.0A	12.4E
2Q	14.5A	15.6A	12.4E
3Q	8.8A	8.1A	12.5E
4Q	4.8A	10.1E	12.6E
FY	36.5A	39.2E	50.0E
Prev CY	--	42.1E	44.2E

Diluted EPS Estimates (\$)

	2022	2023	2024
1Q	0.15A	0.30A	0.25E
2Q	0.62A	0.65A	0.25E
3Q	0.15A	(0.09)A	0.23E
4Q	(0.10)A	0.22E	0.24E
FY	0.84A	0.82E	0.96E
P/E	22.6x	23.2x	19.8x
Prev CY	--	1.29E	1.39E

Analyst Price Targets

Powered by TipRanks

Avg. Price Target ⓘ

\$24.00

29.24% Upside

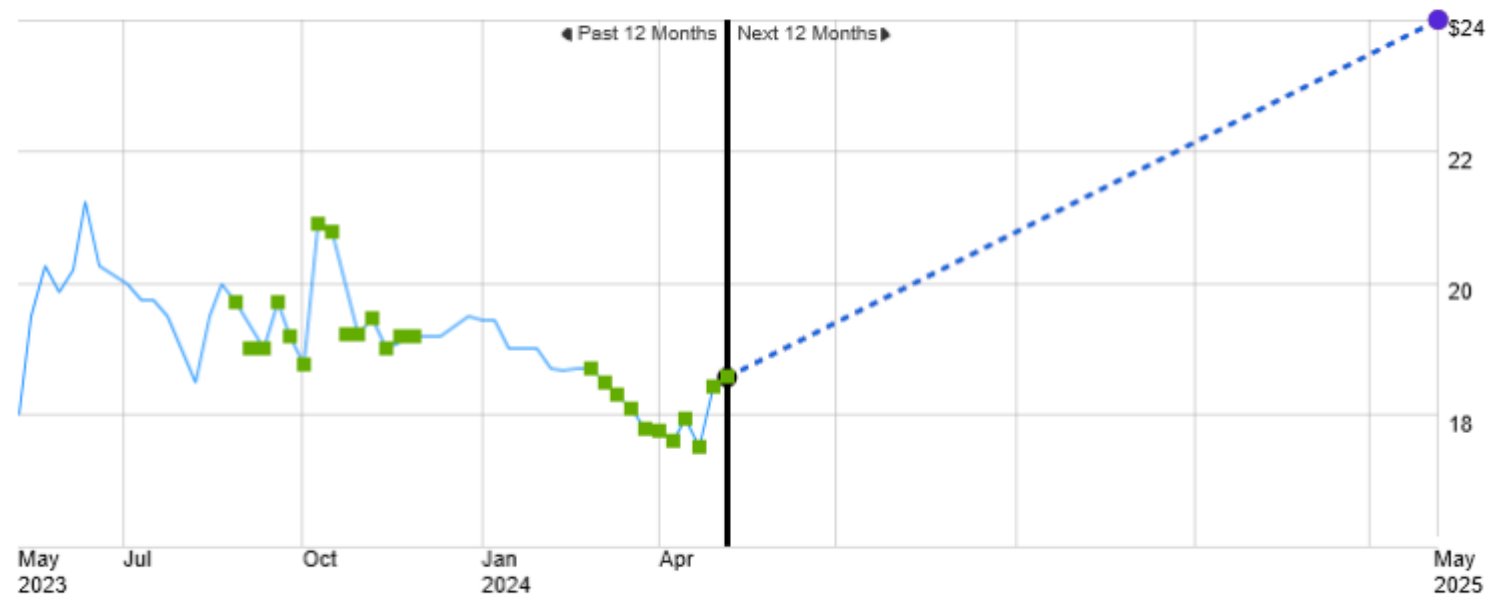
High \$24.00 ⓘ

29.24% Upside

Low \$24.00 ⓘ

29.24% Upside

In the last 3 months, **1 ranked analysts** set 12-month price targets for **MHGU**. The average price target among the analysts is **\$24.00**. Analysts compare their price target to the current market price of the stock to determine how much potential upside or downside movement there could be in the stock price.



Analyst Consensus Rating ⓘ

Each point on the left side of the chart above represents a historical week in time and shows the analyst consensus rating for that week. Click on each point for more information.

■ Buy ■ Hold ■ Sell

- **Nations Premier U.S. Franchise Owner-Operator, Developer.**

Management has achieved successful history of long-term profitable growth and achieving restaurant expansion targets, generating strong long-term EBITDA growth and value creation with superior financial and operational stability relative to industry peers.

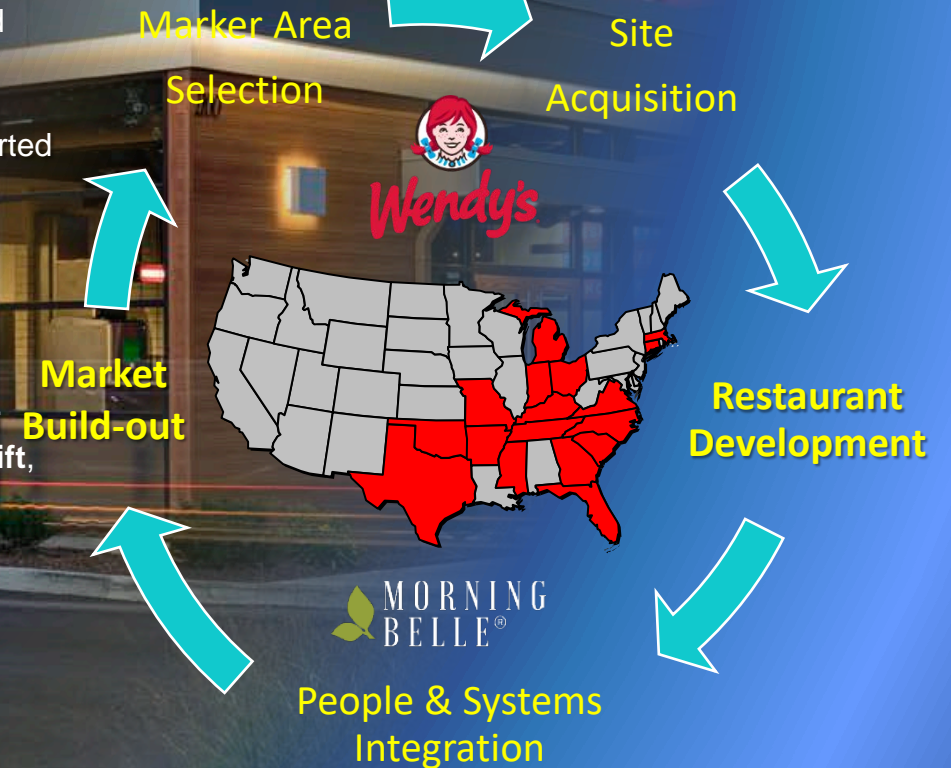
- **Robust Operating Platform.**

Highly scalable operating platform, supported by Cloud-based information technology and architecture constantly evolving around HR, restaurant-level operations, real estate, accounting, data security and consumer analytics enabling us to make data-driven, calculated investment decisions.

- **Unique & Differentiated Growth Opportunities.**

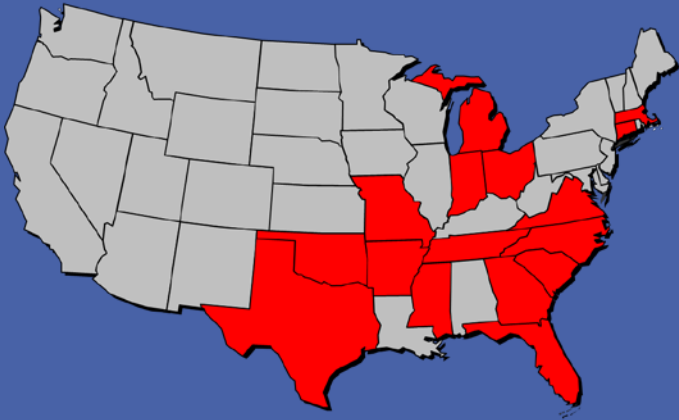
- **Wendy's** – Tier-1 Brand, proven acquisitions, new builds, and renovations success.
- **Morning Belle** – Company owned and operated successful **Single Employee shift**, growing breakfast-brunch brand.

- **Prime Costs Normalization will create future opportunities to enhance shareholder value and liquidity opportunities.**





The Nations
Premier Franchise Operator



U.S. Operations

2024

Full-Year Guidance

Sales **+4% to +10%**

Earnings from Ops. **+45% to +55%**

Net Income **+75% to +85%**

EBITDA **+20% to + 30%**

Questions?

Thank-You