Special Situation

Consumer Cyclical: Restaurants

Sidoti Investor Conference

January 21, 2026

<u>Stock Data: MHGU</u>
52-Week Range $2.07 / $15.25
Avg. Daily Volume 20,714
Market Cap. (MM) $15.0
Shares Out. 6,681,000
Cash Per Share $1.72
Book Value Per Share $11.64
Dividend Yield 0.00%
FY End December
Source: OTCQX /Company

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***Wendy's Franchisee* Investment Case**
(A margin recovery story)

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SAFE HARBOR STATEMENT

Forward Looking Statements

Certain statements contained in this release and the reports we submit to the OTC, including this release, that are not historical facts constitute forward-looking statements. These statements may be identified by words such as "estimates," "anticipates," "hopes," "projects," "plans," "expects," "believes," "should," "would," "optimistic," "endeavor," and similar expressions (including the negative versions), and by the context in which they are used. Such statements are based only upon Meritage's current expectations. Any forward-looking statement speaks only as of the date made. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements to differ materially from those expressed or implied. Meritage undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made. Statements concerning expected financial performance, business strategies and actions which Meritage intends to pursue to achieve its strategic objectives, constitute forward-looking statements. Implementation of strategies and achievement of financial performance are subject to numerous conditions, uncertainties, and risk factors, which could cause actual performance to differ materially from the forward-looking statements. These include, without limitation: risks associated with the level of our indebtedness and our ability to meet covenants in our debt and franchise agreements, including modifications and, as necessary, to refinance or seek further modification of such agreements; competition; changes in the national or local economy; trends involving a general decline in consumer transactions across the QSR industry due to economic uncertainty or otherwise; changes in consumer preferences, tastes and eating habits; concerns about the nutritional quality of our restaurant menu items; concerns about the nutritional quality of our restaurant menu items; economic uncertainty, recessions, disruptions to or reductions in business operations, liquidity, prospects or supply chains due to pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases, its variants and developments related to these types of events; concerns about the consumption of beef or other menu items due to diseases or other food safety issues, including, without limitation, E. coli bacteria; promotions and price discounting by competitors; atypical or severe weather and natural disasters including, without limitation, tropical storms, hurricanes, or tornadoes; changes in travel patterns; road construction; demographic trends; failure to manage social media trends; inflation, including related increases in the cost of food, labor and energy; supply chain interruptions; the availability and cost of suitable restaurant sites; the ability to finance expansion; interest rates; insurance costs; the availability of adequate managers and hourly-paid employees; risks associated with leasing real property; directives issued by the franchisor regarding operations, menu pricing, advertised pricing, national marketing, advertising, digital programs, and capital commitments; the general reputation of Meritage's and its franchisors' restaurants; the relationships between Meritage and its franchisors; legal claims and proceedings, including claims that may result in judgments against the Company requiring the payment of damages or other financial obligations; security, including cyber security and information technology security; credit card fraud; Meritage's ability to consummate acquisitions or, if consummated, to successfully integrate acquired businesses into Meritage's operations; Meritage's execution of growth initiatives; the recurring need for restaurant renovation and capital improvements; government regulations relating to, among other things, zoning, public health, sanitation, alcoholic beverage control, environment, food preparation, minimum and overtime wages and tips, employment of minors, citizenship requirements, working conditions, other labor and employment matters, and the operation of its restaurants; economic changes in the state and local economies where our restaurants are located including, without limitation, Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Texas and Virginia. Please review the Company's Safe Harbor Statement at http://www.meritagehospitality.com.

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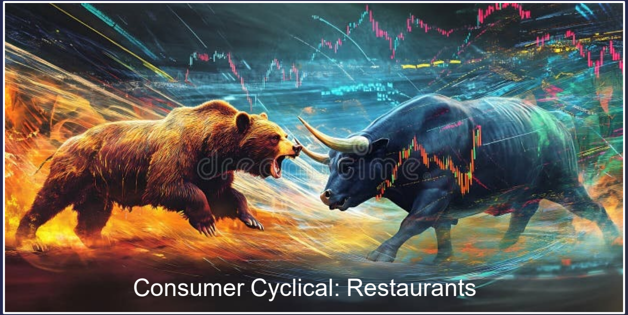
http://www.meritagehospitality.com



Wendy's (well known) Bear Case

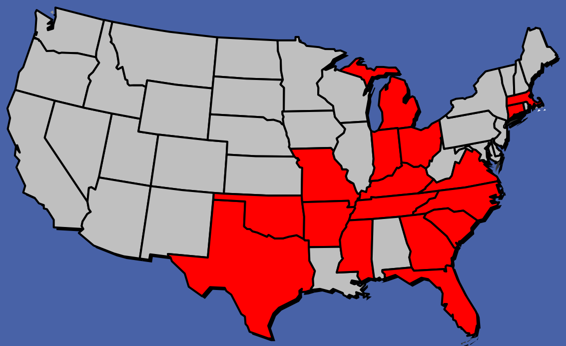
- No new CEO = "no catalyst" for brand turnaround
- Breakfast is losing money for many franchisees = "strategy failed"
- Not the cheapest fast-food option anymore
- Franchisees are under financial stress = "system challenged"
- WEN stock remains a wall street "show-me" story

Wendy's Bull Case

- Revitalizing investment in product innovation & marketing – (not CEO heroics), will unlock the brand equity & franchise economic model
- Cost pressures peaked in 2025
- **Margin compression event** caused in part by blunt discounts & promotions (prior year, prior team) do not impair margin recovery going forward
- Brand durability + Project Fresh create asymmetric restaurant economic upside

What Matters Today

Risk Management



Key Points

359 Store Wendy’s franchisee operating under short-term lender forbearance and brand accommodations, driven by 2025 **margin compression event**

Objective is to bridge liquidity to margin recovery and beverage contract timing

Margins improving sequentially, through cost restructuring efforts & brand initiatives

Franchisor & Franchisee aligned + many of the prime cost pressures we face are transitory

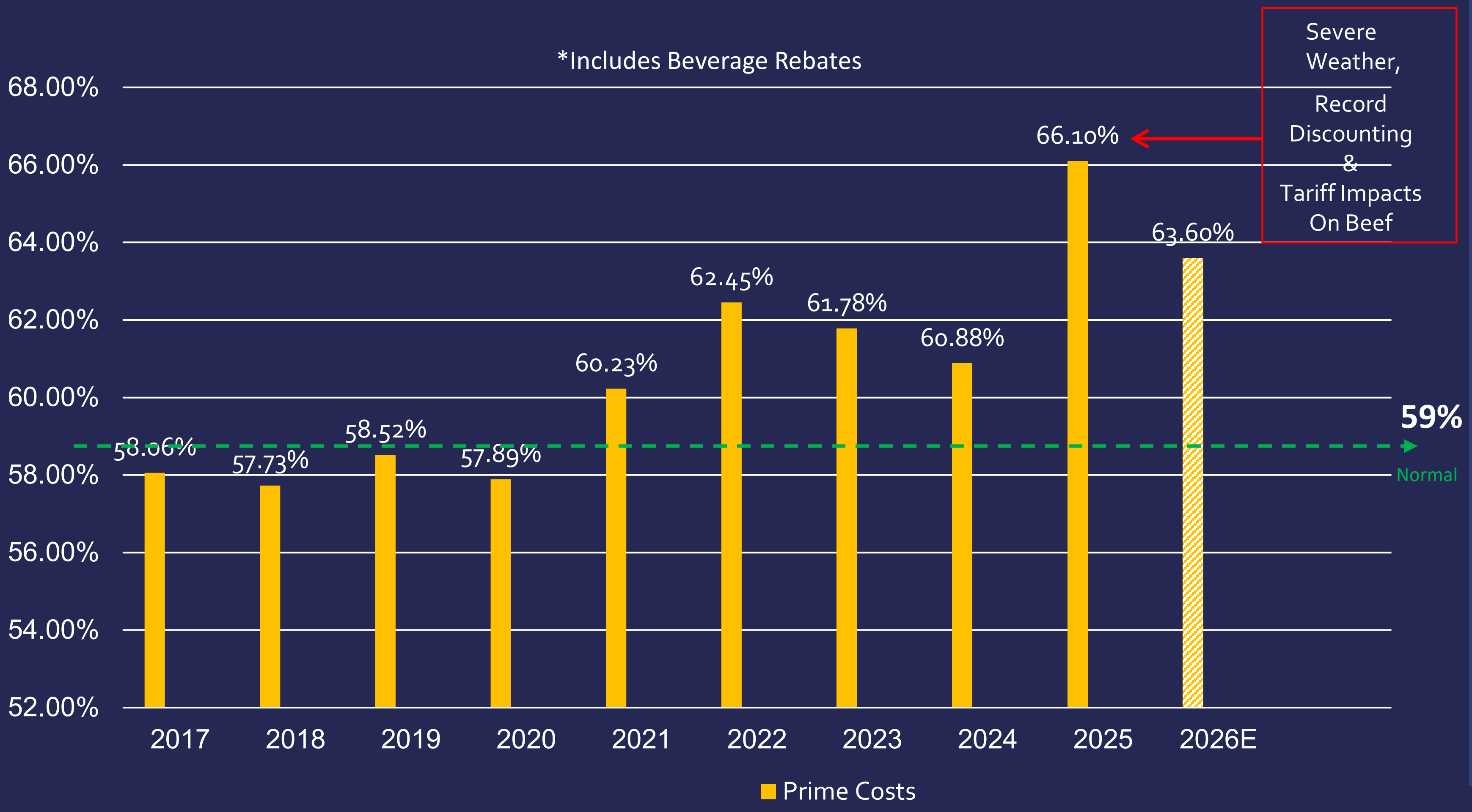
Wendy's

Prime Cost History
(Food, Paper & Labor)

What went wrong for us in 2025

Each 1% of Prime Cost improvement equals approximately $6.7M+ EBITDA for the Company

2025 Margin Compression Event

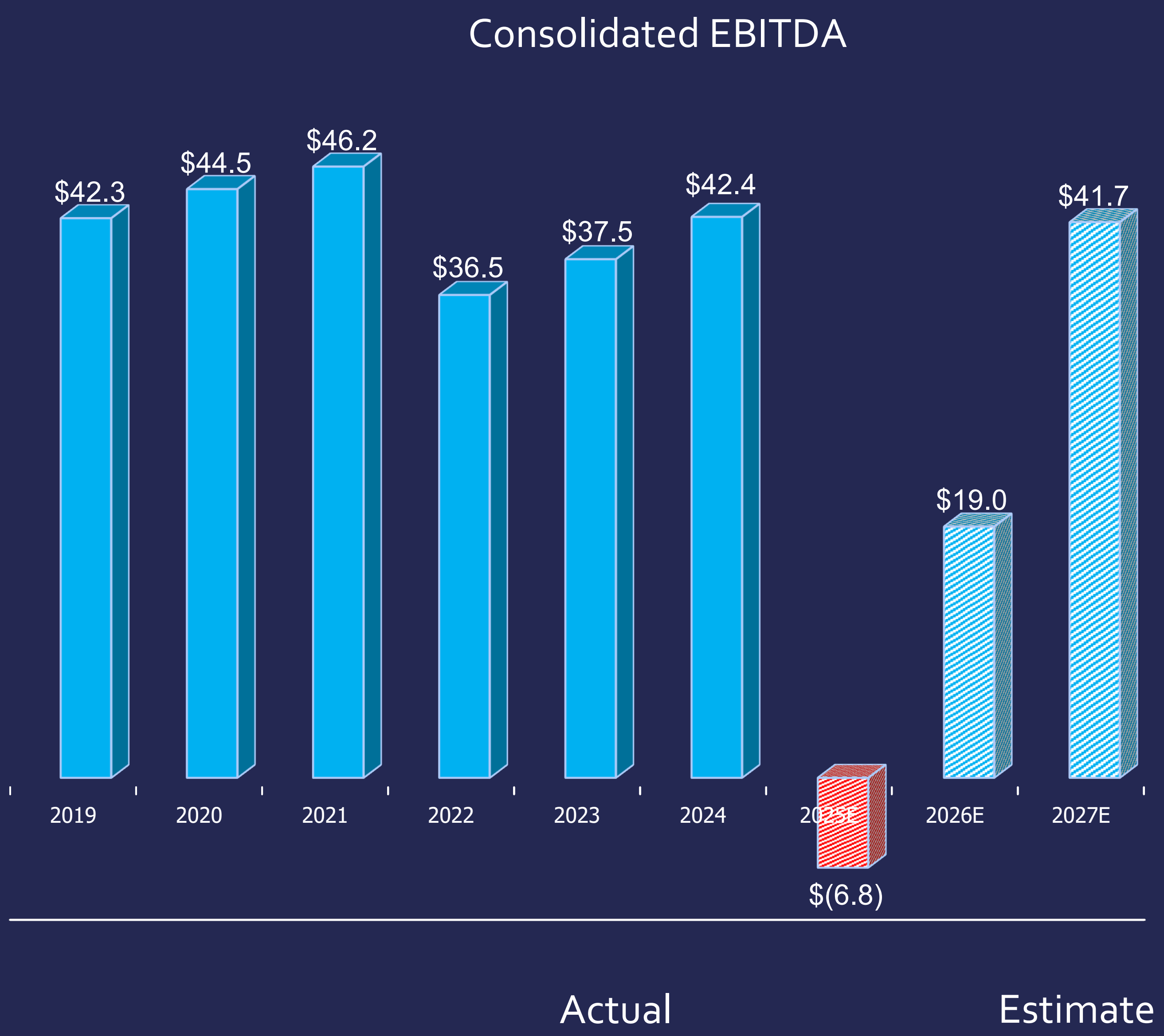


Actual

What Margin Recovery Success looks Like

Exiting forbearance
Liquidity stabilized
Financial flexibility restored

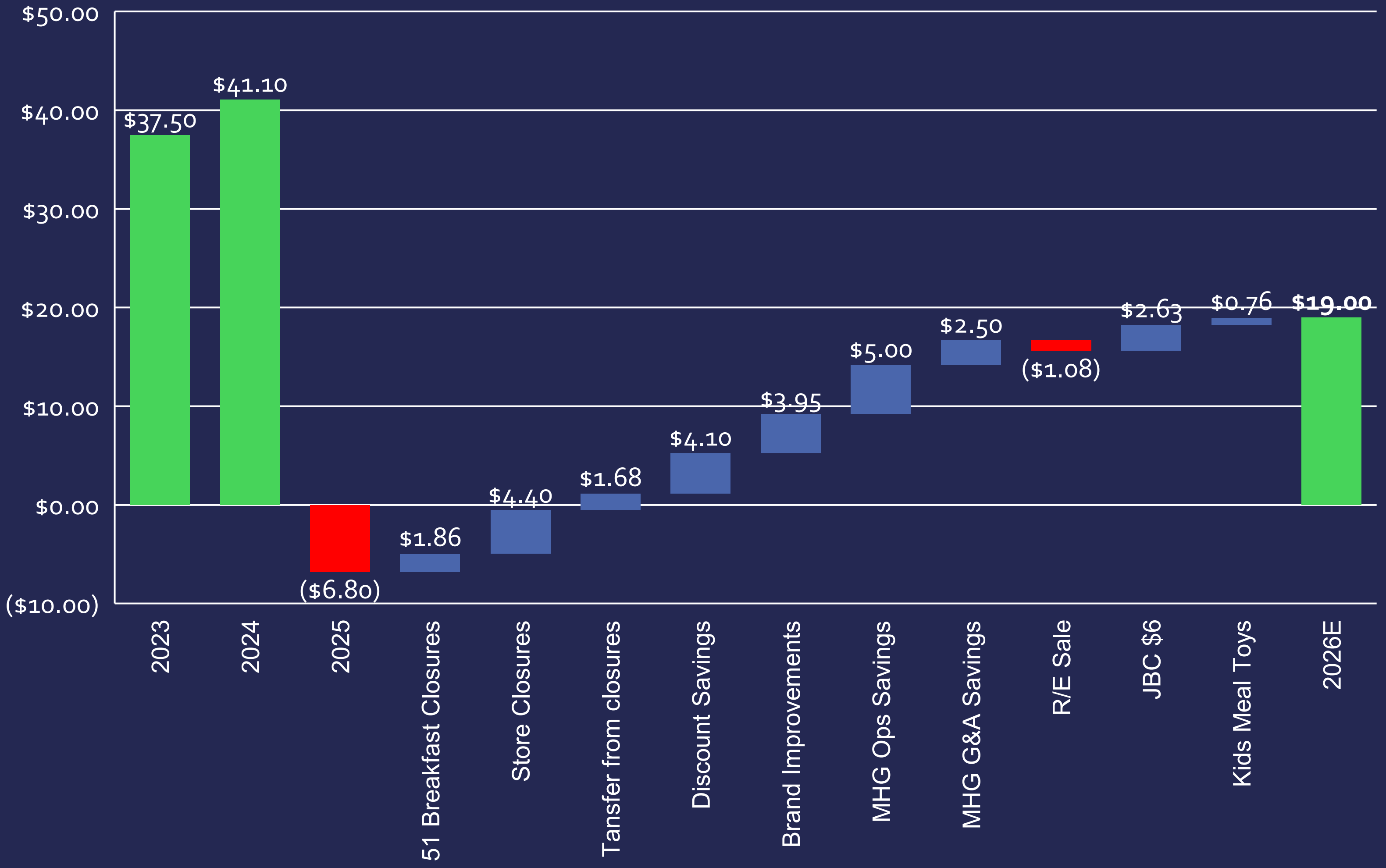
Timing mismatch between soft sales, record prime costs and pricing, wiped out 2025 margins



2026 EBITDA Bridge to Recovery

Consolidated EBITDA

($ in millions)



Wendy's New Coca-Cola Contract Impact on Meritage

2025 Actual	2026 Estimate	2027 Estimate
$11,184,000	**$2,019,000**	**$10,420,000**

$<9,164,000>

Meritage 2026 impact
Due to transition year

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2026
signs of
improvement

Meritage
a major reset of franchisee economics

- ✓ Company & field costs rationalized
- ✓ Store closures + Breakfast optimization underway
- ✓ Digital Discounting back to normal

Initial Fiscal 2026 Outlook:

Sales: $610 million to $620 million
Earnings from Operations: $6.0 to $7.0 million
EBITDA: $18.0 to $20.0 million
Restaurants in Operation: 355

Book Value

Book Value Per Share = Common Shareholders' Equity / Common Shares Outstanding

Book Value Per Common Share (GAAP Balance Sheet)

Total Equity – Preferred Equity = Common Shareholders' Equity

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Key Takeaways

- Long history of Wendy's profitability (pre-2025), **margin compression event** has created dislocation
- Bank Forbearance and liquidity adjustments work around Q1 seasonality and new beverage contract timing
- Wendy's operating leverage is high with prime cost recovery each 1% prime cost reduction = $6.7M EBITDA improvement
- Cost restructuring should create highly efficient P&L going forward
- Wendy' s new chicken innovation & marketing coming Q2 26'

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- Restaurants in Operation 355

Q&A

or email questions to:
rschermer@mhgi.net

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