



Dear Fellow Shareholders,

Our Wendy's franchise business is recovering from a major brand crisis. The Wendy's brand reported U.S. same-store sales fell 11.3% in Q4 2025, driven by a decrease in traffic, partially offset by a higher average check. The brand attributed downward sales to significantly less marketing spend, a tough lap against the chain's SpongeBob SquarePants collaboration in Q4 2024, and a decision to move its chicken sandwich launch into 2026. One positive was the rollout of chicken tenders and sauces, which led to high customer satisfaction scores.

To right the ship, Wendy's is doubling down on "Project Fresh", the strategic framework introduced in October that focuses on revitalizing the brand, closing underperforming restaurants, strengthening operations, and reallocating capital. "While turnarounds take time, we're making bold decisions together as one Wendy's that will create a better future for all stakeholders," interim CEO, Ken Cook said.

The company is also shifting focus towards in-store operational improvements, updating aged locations, and reinforcing its "\$4, \$6, \$8" Biggie Bag value proposition to win customers back. Wendy's interim CEO, Ken Cook, made it clear to investors that 2026 will be a rebuilding year for the burger giant.

Margin Compression

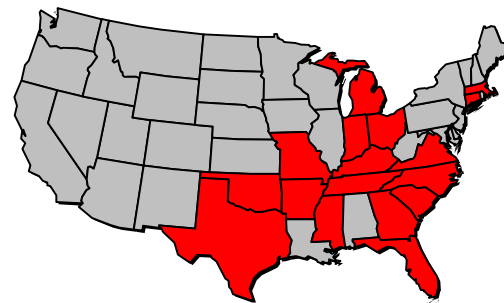
Recent financial performance represents decreased sales and margin compression resulting from a combination of three primary external factors which include, 1) an unusual winter weather (La Nina) cycle in the Southern U.S. that created highly disruptive sales impacts in many of our southern markets, 2) decreased marketing funds and extreme digital discounting by the prior Wendy's brand management team, and 3) record U.S. beef prices culminating from a low herd, Mexican border shut down on beef imports due to disease and tariffs on the importation of beef from South America.

Meritage Locations

Figure 3: Reported Ice Damage During Winter Storm Fern January 23-26, 2026

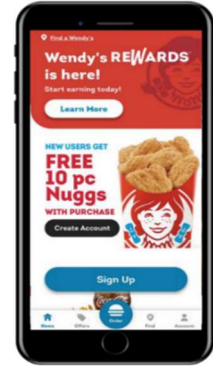


Source: Weather.com and Gordon Haskett Research Advisors





Prime costs (food, paper and labor) elevated to an all-time high of 66.1% in 2025 along with uneven traffic trends that pressured restaurant-level margins to a 30-year low and, in turn, resulted in negative EBITDA – something we have not experienced in the past two decades. While these conditions weighed heavily on Wendy’s franchisees in 2025, we believe most of these factors are largely transitory, as we are beginning to see store-level cash flow improvements.



Today, McDonalds protein sales are comprised of approximately 50% frozen beef and 50% chicken, which gives them a strategic advantage to promote the lower cost protein when events like last year’s beef cost go parabolic. Conversely our Wendy’s protein sales are 80% fresh beef and 20% chicken. We believe this will change as Wendy’s is introducing a new chicken sandwich this spring and expect restaurant margins to gradually expand as these factors converge.



Focus on Profitability

Over the past five years Wendy’s has focused on developing a breakfast daypart (it’s third attempt in 50 years). Despite focused marketing efforts and discounted product offerings, the breakfast daypart has not been profitable to parts of the franchise system. Pete Surken, the new Wendy’s President & Chief Operating Officer, has recently implemented options to remove breakfast from select stores.

As part of “Project Fresh”, Wendy’s announced a major component to improve profitability was to streamline its footprint by closing underperforming restaurants and investing in high-growth locations. To date, the Company has closed 57 restaurants and removed unprofitable breakfast service from an additional 164 of our operating locations.



As we look ahead to 2026 and 2027, our focus is firmly on restoring margins and driving EBITDA recovery through many actions that we can control and have underway. A Wendy's brand and margin recovery cycle is moving forward under "Project Fresh", which we believe will improve sales in the second half of the year.

Status of the Business

We are currently in forbearance with our lenders paying interest only while we navigate through Wendy's restaurant sales and margin compression. We remain committed to maintaining appropriate leverage, protecting liquidity, and ensuring compliance with all credit agreements.

We remain focused on disciplined execution, conservative cash planning, and regular review of operating and financial performance. Capital spending decisions are being made cautiously, and management incentives remain aligned with Wendy's cash flow and long-term stability. The Company is pursuing the disposition of a market as we seek to reduce our exposure to southern geography and reduce financial leverage through system optimization.

Because we cannot control external conditions, our strategy is built around controlling what we can: running a lean operation, protecting cash flow, and avoiding decisions that depend on optimistic assumptions. This discipline is central to our expectation of margin stabilization and EBITDA recovery as conditions normalize within Wendy's franchise system.

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 our ability to continue as a going concern; risks associated with the level of our indebtedness and our ability to regain compliance with 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>.