

## **MERITAGE HOSPITALITY GROUP INC.**

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### **FOR IMMEDIATE RELEASE**

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CEO

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### **MERITAGE REPORTS POSITIVE FISCAL 2009 EARNINGS; BUSINESS OUTLOOK CONTINUED IMPROVEMENT IN 2010**

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GRAND RAPIDS, Michigan, January 28, 2010. Meritage Hospitality Group Inc. (OTCQX: MHGU), the nation's premier franchise operator, today reported financial results for the 2009 fiscal year ended November 29, 2009. Company filings can be viewed at [www.otcqx.com](http://www.otcqx.com).

#### **2009 Fiscal Highlights**

- Sales increased 19% to \$69.1 million from \$58.1 million in 2008.
- Income from operations increased to \$2.1 million compared to a loss of \$153,000 last year.
- Net Income increased to \$930,000, compared to a loss of \$696,000 last year.
- Consolidated EBITDA (a non-GAAP measure) increased 79% to \$3,945,000 compared to \$2,205,000 in 2008.
- The company expanded its restaurant base with the acquisition of 20 Wendy's restaurants in Jacksonville, Florida.

"We delivered consistent earnings improvement throughout the year, despite operating in a challenging consumer environment," stated Robert E. Schermer, Jr., the company's CEO. Meritage finished 2009 once again ranked as one of the most effective multi-unit operators in the Wendy restaurant system. Improvement was driven by significant operational cost reductions and lower food costs resulting in higher operating margins.

#### **Fourth Quarter Highlights**

- Sales increased 30.9% to \$19.1 million compared to \$14.6 million in 2008.
- Earnings from operations were \$387,000 compared to \$145,000 same period last year, an increase of 167%.
- Net earnings were \$241,000 compared to a loss of \$91,000 same period last year.
- EBITDA (a non-GAAP measure) increased to \$971,000 compared to \$92,000 in 2008.

## **2010 Business Outlook: Unprecedented Times and Opportunities**

The Wendy's franchise system continues to focus on brand revitalization such as new product innovation and operational excellence. Beginning January 1, 2010 a new purchasing co-op was launched to optimize cost savings of goods and services to the entire Wendy's restaurant system, with the goal of expanding margins at the restaurant level. Wendy's is testing and planning for the re-launch of a unique high quality breakfast menu. Breakfast accounts for 23% of the QSR industry traffic, but only 2% for Wendy's total sales today. The Wendy's system-wide goal is to return restaurant operating margins to the 16%-17% level, which has positive implications for our franchise business model. In addition, Wendy's has completed a comprehensive analysis and determined potential for 8,000 restaurants outside of North America.

"We are operating in unprecedented economic times for U.S. middle-income consumers, and see unprecedented opportunities to leverage our operating platform with additional Wendy's restaurants and new market expansion. Looking ahead, we believe there is 'legislative upside' in Michigan, with new leadership addressing the Michigan Business Tax structure, currently one of the most punitive and confiscatory in the nation for retail businesses. For 2010 we are targeting sales and earnings growth over 2009 results," added Mr. Schermer.

### **About Meritage**

Operating 73 quick service and casual dining restaurants, Meritage is one of the nation's premier franchise operators, specializing in the development and operation of restaurant and leisure properties. The company is headquartered in Grand Rapids and employs a workforce of approximately 2,100. The company seeks unique opportunities to capitalize on its substantial development and operating expertise.

#### SAFE HARBOR STATEMENT

*Certain information in this new release, particularly information regarding future economic performance and finances, 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>.*