# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark one)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended April 1, 2017**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from _____ to _____**

**Commission File No. 001-37425**

# WINGSTOP INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **47-3494862** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **5501 LBJ Freeway, 5th Floor,**<br>**Dallas, Texas** | **75240** |
| (Address of principal executive offices) | (Zip Code) |

**(972) 686-6500**
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Larger accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| | | Emerging growth company | ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

On May 5, 2017 there were 28,977,030 shares of common stock outstanding.

TABLE OF CONTENTS

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**WINGSTOP INC. AND SUBSIDIARIES**
**Consolidated Balance Sheets**
**(amounts in thousands, except share and per share amounts)**

| | April 1, 2017 (Unaudited) | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 3,436 | $ 3,750 |
| Accounts receivable, net | 3,259 | 3,199 |
| Prepaid expenses and other current assets | 1,566 | 1,634 |
| Advertising fund assets, restricted | 4,596 | 2,533 |
| Total current assets | 12,857 | 11,116 |
| Property and equipment, net | 4,993 | 4,999 |
| Goodwill | 45,128 | 45,128 |
| Trademarks | 32,700 | 32,700 |
| Customer relationships, net | 16,577 | 16,914 |
| Other non-current assets | 900 | 943 |
| **Total assets** | **$ 113,155** | **$ 111,800** |
| **Liabilities and stockholders' deficit** | | |
| Current liabilities | | |
| Accounts payable | $ 1,797 | $ 1,458 |
| Other current liabilities | 6,468 | 9,241 |
| Current portion of debt | 3,500 | 3,500 |
| Advertising fund liabilities, restricted | 4,596 | 2,533 |
| Total current liabilities | 16,361 | 16,732 |
| Long-term debt, net | 141,373 | 147,217 |
| Deferred revenues, net of current | 8,043 | 7,868 |
| Deferred income tax liabilities, net | 12,373 | 12,304 |
| Other non-current liabilities | 2,266 | 2,307 |
| Total liabilities | 180,416 | 186,428 |
| Commitments and contingencies (see note 6) | | |
| Stockholders' deficit | | |
| Common stock, $0.01 par value; 100,000,000 shares authorized; 28,977,030 and 28,747,392 shares issued and outstanding as of April 1, 2017 and December 31, 2016, respectively | 290 | 287 |
| Additional paid-in-capital | 2,028 | 1,194 |
| Accumulated deficit | (69,579) | (76,109) |
| Total stockholders' deficit | (67,261) | (74,628) |
| **Total liabilities and stockholders' deficit** | **$ 113,155** | **$ 111,800** |

See accompanying notes to consolidated financial statements

**WINGSTOP INC. AND SUBSIDIARIES**
**Consolidated Statements of Operations**
**(amounts in thousands, except per share data)**
**(Unaudited)**

| | Thirteen Weeks Ended | |
|---|---|---|
| | April 1, 2017 | March 26, 2016 |
| Revenue: | | |
| Royalty revenue and franchise fees | $ 18,023 | $ 13,498 |
| Company-owned restaurant sales | 8,546 | 8,576 |
| Total revenue | 26,569 | 22,074 |
| Costs and expenses: | | |
| Cost of sales (1) | 6,600 | 6,077 |
| Selling, general and administrative | 10,262 | 7,655 |
| Depreciation and amortization | 755 | 714 |
| Total costs and expenses | 17,617 | 14,446 |
| Operating income | 8,952 | 7,628 |
| Interest expense, net | 1,299 | 761 |
| Other expense, net | — | 28 |
| Income before income tax expense | 7,653 | 6,839 |
| Income tax expense | 1,123 | 2,549 |
| Net income | $ 6,530 | $ 4,290 |
| | | |
| Earnings per share | | |
| Basic | $ 0.23 | $ 0.15 |
| Diluted | $ 0.22 | $ 0.15 |
| | | |
| Weighted average shares outstanding | | |
| Basic | 28,895 | 28,586 |
| Diluted | 29,336 | 28,967 |

(1) exclusive of depreciation and amortization, shown separately

See accompanying notes to consolidated financial statements.

**WINGSTOP INC. AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
**(amounts in thousands)**
**(Unaudited)**

| | Thirteen Weeks Ended | |
|---|---|---|
| | April 1, 2017 | March 26, 2016 |
| Operating activities | | |
| Net income | $ 6,530 | $ 4,290 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 755 | 714 |
| Deferred income taxes | 69 | 7 |
| Stock-based compensation expense | 255 | 153 |
| Amortization of debt issuance costs | 73 | 38 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (60) | 848 |
| Prepaid expenses and other assets | 76 | 537 |
| Accounts payable and other current liabilities | (2,379) | 1,589 |
| Deferred revenue | 120 | (441) |
| Other non-current liabilities (attributable to deferred rent and lease incentives) | (41) | 136 |
| Cash provided by operating activities | 5,398 | 7,871 |
| | | |
| Investing activities | | |
| Purchases of property and equipment | (419) | (309) |
| Cash used in investing activities | (419) | (309) |
| | | |
| Financing activities | | |
| Proceeds from exercise of stock options | 582 | 64 |
| Repayments of long-term debt | (5,875) | (10,000) |
| Cash used in financing activities | (5,293) | (9,936) |
| | | |
| Net change in cash and cash equivalents | (314) | (2,374) |
| Cash and cash equivalents at beginning of period | 3,750 | 10,690 |
| Cash and cash equivalents at end of period | $ 3,436 | $ 8,316 |

See accompanying notes to consolidated financial statements.

**(1) Basis of Presentation**

*Basis of Presentation*

Wingstop Inc. ("Wingstop" or the "Company") is in the business of franchising and operating Wingstop restaurants. As of April 1, 2017, 927 franchised restaurants were in operation domestically and 83 international franchised restaurants were in operation across five countries. As of April 1, 2017, the Company owned and operated 21 restaurants.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Consequently, financial information and disclosures normally included in financial statements prepared annually in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted. Balance sheet amounts are as of April 1, 2017 and December 31, 2016 and operating results are for the thirteen weeks ended April 1, 2017 and March 26, 2016.

In the Company's opinion, all necessary adjustments have been made for the fair presentation of the results of the interim periods presented. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying interim unaudited consolidated financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2016.

The Company uses a 52/53-week fiscal year that ends on the last Saturday of the calendar year. Fiscal years 2017 and 2016 have 52 weeks and 53 weeks, respectively.

*Advertising Fund*

WRI administers the Wingstop Restaurants Advertising Fund ("Ad Fund"), which is used for various forms of advertising for the Wingstop brand. The revenues, expenses and cash flows of the Ad Fund are not included in the Consolidated Statements of Operations or Consolidated Statements of Cash Flows because the Company does not have complete discretion over the usage of the funds. Beginning in fiscal year 2017, in conjunction with the launch of national advertising, the advertising fund contribution collected from Wingstop restaurant franchisees and WRI-owned restaurants increased from 2% to 3% of gross sales. This change is not an increase in the 4% of the restaurants' gross sales that has historically been required to be spent on advertising according to our franchise agreement, but rather a reallocation of the 4%. For the thirteen weeks ended April 1, 2017 and March 26, 2016 the Company made discretionary contributions to the Ad Fund totaling $2.9 million and $0.6 million, respectively, for the purpose of supplementing the national advertising campaign.

*Recent Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual and interim periods beginning after December 15, 2017 with early adoption permitted in fiscal year 2017. The Company will adopt this new guidance in fiscal year 2018, and has not yet selected a transition method. Based on a preliminary assessment, the Company expects the adoption of the new guidance to change the timing of recognition of initial franchise fees, including development and territory fees for our international business, and renewal fees. Currently, these fees are generally recognized upfront upon either opening of the respective restaurant or when a renewal agreement becomes effective. The new guidance will generally require these fees to be recognized over the term of the related franchise license for the respective restaurant. The Company is continuing to evaluate the impact the adoption of this new guidance will have on these and other revenue transactions, as well as the presentation of advertising fund revenues and expenses, in addition to the impact on accounting policies and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 as of its issuance is permitted. This new guidance requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* which was issued to simplify accounting for several aspects of share-based payment transactions, including the income tax impact, classification on the statement of cash flows and forfeitures.
We adopted this new standard on January 1, 2017.

As a result, the recognition of excess tax benefits are reflected in our provision for income taxes in the Consolidated Statement of Operations rather than Stockholders' deficit in the Consolidated Balance Sheet for all periods after fiscal year 2016. This provision was required to be applied prospectively. For the quarter ended April 1, 2017, we recognized $1.7 million of excess tax benefits in income tax expense in the Statement of Operations.

Excess tax benefits are now reported in cash flows from operating activities rather than cash flows from financing activities in the Consolidated Statement of Cash Flows. We elected to apply this change in presentation retrospectively, and thus, prior periods have been adjusted, resulting in an increase to cash provided by operating activities and cash used in financing activities of $0.4 million for the quarter ended March 26, 2016.

This new standard allows entities to make an accounting policy election to either estimate the number of awards that are expected to vest, as previously required, or account for forfeitures when they occur. We have elected to recognize forfeitures in the period they occur. This change in accounting policy did not result in a material impact to the Consolidated Statement of Operations.

**(2) Earnings per Share**

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted stock units, determined using the treasury stock method. For the thirteen weeks ended April 1, 2017, approximately 6,000 stock options and 56,000 restricted stock units were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive. For the thirteen weeks ended March 26, 2016, approximately 3,000 stock options were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive.

Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding as follows (in thousands):

| | Thirteen Weeks Ended | |
|---|---|---|
| | April 1, 2017 | March 26, 2016 |
| Basic weighted average shares outstanding | 28,895 | 28,586 |
| Dilutive shares | 441 | 381 |
| Diluted weighted average shares outstanding | 29,336 | 28,967 |

**(3) Fair Value Measurements**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. Assets and liabilities are classified using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 — Unadjusted quoted prices for identical instruments traded in active markets.

Level 2 — Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 — Unobservable inputs reflecting management's estimates and assumptions.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. Fair value of debt is determined on a non-recurring basis, which results are summarized as follows (in thousands):

| | | April 1, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|
| | Fair Value Hierarchy | Carrying Value (2) | Fair Value | Carrying Value (2) | Fair Value |
| Senior Secured Credit Facility: | | | | | |
| Term loan facility (1) | Level 2 | $ 67,375 | $ 67,375 | $ 68,250 | $ 68,250 |
| Revolving credit facility (1) | Level 2 | $ 78,000 | $ 78,000 | $ 83,000 | $ 83,000 |

(1) The fair value of long-term debt was estimated using available market information.
(2) Excluding issuance costs netted on the face of the Balance Sheet.

The Company also measures certain non-financial assets at fair value on a non-recurring basis, primarily long-lived assets, intangible assets and goodwill, in connection with our periodic evaluations of such assets for potential impairment.

**(4) Income Taxes**

Income tax expense and the effective tax rate were $1.1 million and 14.7%, respectively, for the thirteen weeks ended April 1, 2017, and $2.5 million and 37.3%, respectively, for the thirteen weeks ended March 26, 2016. Income tax expense for the thirteen weeks ended April 1, 2017 includes $1.7 million in tax benefits resulting from the recognition of excess tax benefits from share-based compensation in income tax expense rather than paid-in capital due to the adoption of ASU 2016-09, which resulted in a lower effective tax rate for the thirteen weeks ended April 1, 2017 compared to the prior year period.

**(5) Debt Obligations**

The senior secured credit facility consists of a term loan facility in an aggregate amount of $70.0 million and a revolving credit facility up to an aggregate amount of $110.0 million. As of April 1, 2017, the term loan facility and the revolving credit facility had outstanding balances of $67.4 million and $78.0 million, respectively, bearing interest at 3.40%.

In 2017, the Company made payments of $5.0 million on the outstanding principal balance of its revolving credit facility.

The senior secured credit facility is secured by substantially all assets of the Company and requires compliance with certain financial and non-financial covenants. As of April 1, 2017, the Company was in compliance with all covenants.

As of April 1, 2017, the scheduled principal payments on debt were as follows (in thousands):

| | |
|---|---|
| Remainder of fiscal year 2017 | $ 2,625 |
| Fiscal year 2018 | 3,500 |
| Fiscal year 2019 | 2,625 |
| Fiscal year 2020 | 3,500 |
| Fiscal year 2021 | 133,125 |
| Total | $ 145,375 |

**(6) Commitments and Contingencies**

Wingstop Restaurants Inc. ("WRI") leases certain office and retail space and equipment under non-cancelable operating leases with terms expiring at various dates through July 2031.

A schedule of future minimum rental payments required under our operating leases, excluding contingent rent, that have initial or remaining non-cancelable lease terms in excess of one year, as of April 1, 2017, is as follows (in thousands):

| | | |
|---|---|---|
| Remainder of fiscal year 2017 | $ | 1,295 |
| Fiscal year 2018 | | 1,544 |
| Fiscal year 2019 | | 1,310 |
| Fiscal year 2020 | | 1,184 |
| Fiscal year 2021 | | 1,028 |
| Fiscal year 2022 | | 971 |
| Thereafter | | 3,414 |
| Total | $ | 10,746 |

Rent expense under cancelable and non-cancelable leases was $491,000 and $464,000 for the thirteen weeks ended April 1, 2017 and March 26, 2016, respectively.

The Company is subject to legal proceedings, claims and liabilities, such as employment-related claims and premises-liability cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions should not have a material adverse impact on financial position, results of operations or cash flows.

**(7) Stock-Based Compensation**

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). The Company recognized $255,000 in stock compensation expense for the thirteen weeks ended April 1, 2017, with a corresponding increase to additional paid-in-capital. Stock compensation expense is included in Selling, general & administrative expense (SG&A) in the Consolidated Statement of Operations.

***Stock Options***

The following table summarizes stock option activity (in thousands, except per share data):

| | Stock Options | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Term |
|---|---|---|---|---|
| Outstanding - December 31, 2016 | 855 | $ 5.14 | $ 20,905 | 6.8 |
| Granted | — | $ — | | |
| Exercised | (217) | $ 2.67 | | |
| Canceled | (1) | $ 23.26 | | |
| Outstanding - April 1, 2017 | 637 | $ 5.96 | $ 14,217 | 6.8 |

The total grant-date fair value of stock options vested during the thirteen weeks ended April 1, 2017 was $873,000. The total intrinsic value of stock options exercised during the thirteen weeks ended April 1, 2017 was $5.5 million. As of April 1, 2017, total unrecognized compensation expense related to unvested stock options was $1.8 million, which is expected to be recognized over a weighted-average period of 2.4 years.

***Restricted Stock Units and Performance Stock Units***

The following table summarizes activity related to restricted stock units and performance stock units (in thousands, except per share data):

| | Restricted Stock Units | Weighted Average Grant Date Fair Value | Performance Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|---|---|
| Outstanding - December 31, 2016 | — | $ — | — | $ — |
| Granted | 96 | 26.68 | 84 | 27.18 |
| Released | — | — | — | — |
| Canceled | (1) | 26.30 | — | — |
| Outstanding - April 1, 2017 | 95 | $ 26.68 | 84 | $ 27.18 |

The fair value of restricted stock units and performance stock units are based on the closing market price of the stock on the date of grant. The restricted stock units granted during the thirteen weeks ended April 1, 2017 vest over a three year service period. As of April 1, 2017, total unrecognized compensation expense related to unvested restricted stock units was $2.4 million which is expected to be recognized over a weighted-average period of 2.9 years.

The performance stock units vest based on the outcome of certain performance criteria. For performance stock units granted during the thirteen weeks ended April 1, 2017, the amount of units that can be earned range from 0% to 100% of the number of performance awards granted, based on the achievement of certain adjusted EBITDA targets, as defined by the plan, over a performance period of one to three years. The compensation expense related to the performance stock units is recognized over the vesting period when the achievement of the performance conditions become probable. As of April 1, 2017, total unrecognized compensation expense related to unvested performance stock units was $1.8 million which is expected to be recognized over a weighted-average period of 2.9 years.

**(8) Business Segments**

The Franchise segment consists of domestic and international franchise restaurants, which represent the majority of our system-wide restaurants. As of April 1, 2017, the franchise operations segment consisted of 1,010 restaurants operated by Wingstop franchisees in the United States and five countries outside of the United States as compared to 854 franchised restaurants in operation as of March 26, 2016. Franchise operations revenue consists primarily of franchise royalty revenue, sales of franchise and development fees, international territory fees, and other revenue.

As of April 1, 2017, the Company segment consisted of 21 company-owned restaurants, located in the United States, as compared to 19 company-owned restaurants as of March 26, 2016. Company restaurant sales are for food and beverage sales at company-owned restaurants. Company restaurant expenses are operating expenses at company-owned restaurants and include food, beverage, labor, benefits, utilities, rent and other operating costs.

Information on segments and a reconciliation to income before taxes are as follows (in thousands):

| | Thirteen Weeks Ended | |
|---|---|---|
| | April 1, 2017 | March 26, 2016 |
| **Revenue:** | | |
| Franchise segment | $ 18,023 | $ 13,498 |
| Company segment | 8,546 | 8,576 |
| Total segment revenue | $ 26,569 | $ 22,074 |
| **Segment Profit:** | | |
| Franchise segment | $ 7,873 | $ 6,372 |
| Company segment | 1,079 | 1,706 |
| Total segment profit | 8,952 | 8,078 |
| Corporate and other [1] | — | 450 |
| Interest expense, net | 1,299 | 761 |
| Other (income) expense, net | — | 28 |
| Income before taxes | $ 7,653 | $ 6,839 |

[1] Corporate and other includes corporate related items not allocated to reportable segments and consists primarily of expenses associated with our public offerings.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our annual report on Form 10-K. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Special Note Regarding Forward-Looking Statements" below and "Risk Factors" on page 15 of our annual report on Form 10-K. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

*We operate on a 52 or 53 week fiscal year ending on the last Saturday of each calendar year. Our fiscal quarters are comprised of 13 weeks, with the exception of the fourth quarter of a 53 week year, which contains 14 weeks. Fiscal years 2017 and 2016 contain 52 weeks and 53 weeks, respectively.*

### *Overview*

Wingstop is a high-growth franchisor and operator of restaurants that offer cooked-to-order, hand-sauced and tossed chicken wings.

We believe we pioneered the concept of wings as a "center-of-the-plate" item for all of our meal occasions. While other concepts include wings as add-on menu items or focus on wings in a bar or sports-centric setting, we are singularly focused on wings, fries and sides, which generate approximately 92% of our system-wide sales.

We offer 11 bold, distinctive and craveable flavors on our bone-in and boneless chicken wings paired with fresh-cut, seasoned fries and sides made fresh daily. Our menu is highly-customizable for different dining occasions, and we believe it delivers a compelling value proposition for groups, families, and individuals. We have broad and growing consumer appeal anchored by a sought after core demographic of 18-34 year old Millennials, which we believe is a loyal consumer group that dines at fast casual restaurants more frequently.

Founded in 1994 in Garland, Texas, we have sold approximately 4 billion wings since our inception. Today, Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world and has demonstrated strong, consistent growth. As of April 1, 2017, we had a total 1,031 restaurants across 41 states and six countries in our system. Our restaurant base is 98% franchised, with 1,010 franchised locations (including 83 international locations) and 21 company-owned restaurants.

In 2017, we began transitioning to a national advertising program. This change is not an increase in the 4% of the restaurants' gross sales that has historically been spent on advertising, but rather a reallocation of the 4%. This transition to national advertising from our advertising cooperatives, a more locally driven advertising approach, is expected to provide us with more reach and frequency in existing media markets in addition to coverage for smaller and newer markets where we did not previously leverage television advertising.

### *Key Performance Indicators*

Key measures that we use in evaluating our restaurants and assessing our business include the following:

*Number of restaurants.* Management reviews the number of new restaurants, the number of closed restaurants, and the number of acquisitions and divestitures of restaurants to assess net new restaurant growth, system-wide sales, royalty and franchise fee revenue and company-owned restaurant sales.

| | Thirteen Weeks Ended | |
|---|---|---|
| | **April 1, 2017** | **March 26, 2016** |
| **Domestic Franchised Activity:** | | |
| Beginning of period | 901 | 767 |
| Openings | 28 | 29 |
| Closures | (2) | — |
| Restaurants end of period | 927 | 796 |
| | | |
| **Domestic Company-Owned Activity:** | | |
| Beginning of period | 21 | 19 |
| Openings | — | — |
| Closures | — | — |
| Restaurants end of period | 21 | 19 |
| | | |
| **Total Domestic Restaurants** | **948** | **815** |
| | | |
| **International Franchised Activity:** | | |
| Beginning of period | 76 | 59 |
| Openings | 7 | 2 |
| Closures | — | (3) |
| Restaurants end of period | 83 | 58 |
| | | |
| **Total System-wide Restaurants** | **1,031** | **873** |

*System-wide sales.* System-wide sales represents net sales for all of our company-owned and franchised restaurants, as reported by franchisees. While we do not record franchised restaurant sales as revenue, our royalty revenue is calculated based on a percentage of franchised restaurant sales, which generally range from 5.0% to 6.0% of gross sales net of discounts. This measure allows management to better assess changes in our royalty revenue, our overall store performance, the health of our brand and the strength of our market position relative to competitors. Our system-wide sales growth is driven by new restaurant openings as well as increases in same store sales.

*Average unit volume (AUV).* AUV consists of the average annual sales of all restaurants that have been open for a trailing 52-week period or longer. This measure is calculated by dividing sales during the applicable period for all restaurants being measured by the number of restaurants being measured. Domestic AUV includes revenue from both company-owned and franchised restaurants. AUV allows management to assess our company-owned and franchised restaurant economics. Changes in AUV are primarily driven by increases in same store sales and are also influenced by opening new restaurants.

*Same store sales.* Same store sales reflects the change in year-over-year sales for the same store base. We define the same store base to include those restaurants open for at least 52 full weeks. This measure highlights the performance of existing restaurants, while excluding the impact of new restaurant openings and closures. We review same store sales for company-owned restaurants as well as system-wide restaurants. Same store sales are driven by changes in transactions and average transaction size. Transaction size changes are driven by price changes or mix shifts from either a change in the number of items purchased or shifts into higher/lower priced categories of items.

*Adjusted EBITDA.* We define Adjusted EBITDA as net income before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for management fees and expense reimbursement, transaction costs, gains and losses on the disposal of assets, stock-based compensation expense and management agreement termination fees. Adjusted EBITDA may not be comparable to other similarly titled captions of other companies due to differences in methods of calculation. For a reconciliation of net income to EBITDA and Adjusted EBITDA see the table below. For further discussion of EBITDA and Adjusted EBITDA as non-GAAP measures and how we utilize them see footnote 2 below.

The following table sets forth our key performance indicators as well as our total revenue and net income for the thirteen weeks ended April 1, 2017 and March 26, 2016 (dollars in thousands):

| | Thirteen Weeks Ended | |
|---|---|---|
| | April 1, 2017 | March 26, 2016 |
| Number of system-wide restaurants open at end of period | 1,031 | 873 |
| System-wide sales [1] | $ 259,925 | $ 235,821 |
| Domestic restaurant AUV | $ 1,101 | $ 1,122 |
| System-wide domestic same store sales growth | (1.1)% | 4.6% |
| Company-owned domestic same store sales growth | (5.1)% | 9.0% |
| Total revenue | $ 26,569 | $ 22,074 |
| Net income | $ 6,530 | $ 4,290 |
| Adjusted EBITDA [2] | $ 9,962 | $ 8,917 |

(1) The percentage of system-wide sales attributable to company-owned restaurants was 3.3% and 3.6% for the thirteen weeks ended April 1, 2017 and March 26, 2016, respectively. The remainder was generated by franchised restaurants, as reported by our franchisees.

(2) EBITDA and Adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. EBITDA and Adjusted EBITDA are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity.

We define "EBITDA" as net income before interest expense, net, income tax expense, and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA further adjusted for management fees and expense reimbursement, transaction costs, gains and losses on the disposal of assets, stock-based compensation expense and management agreement termination fees. There were no management fees or gains and losses on disposal of assets during the thirteen weeks ended April 1, 2017 and March 26, 2016. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations period over period and would ordinarily add back non-cash expenses such as depreciation and amortization, as well as items that are not part of normal day-to-day operations of our business.

Management uses EBITDA and Adjusted EBITDA:

- as a measurement of operating performance because they assist us in comparing the operating performance of our restaurants on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies;
- to evaluate our capacity to fund capital expenditures and expand our business; and
- to calculate incentive compensation payments for our employees, including assessing performance under our annual incentive compensation plan and determining the vesting of performance shares.

By providing these non-GAAP financial measures, together with a reconciliation to the most comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. Items excluded from these non-GAAP measures are significant components in understanding and assessing financial performance. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants such as fixed charge coverage, lease adjusted leverage and debt incurrence. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation, or as an alternative to, or a substitute for net income or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- such measures do not reflect our tax expense or the cash requirements to pay our taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using these non-GAAP measures only supplementally. As noted in the table below, Adjusted EBITDA includes adjustments for transaction costs, gains and losses on disposal of assets and stock-based compensation, among other items. It is reasonable to expect that these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our restaurants and complicate comparisons of our internal operating results and operating results of other restaurant companies over time. In addition, Adjusted EBITDA includes adjustments for other items that we do not expect to regularly record, such as management fees and expense reimbursement. Each of the normal recurring adjustments and other adjustments described in this paragraph and in the reconciliation table below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following table reconciles net income to EBITDA and Adjusted EBITDA for the thirteen weeks ended April 1, 2017 and March 26, 2016 (in thousands):

| | Thirteen Weeks Ended | |
|---|---|---|
| | **April 1, 2017** | **March 26, 2016** |
| Net income | $ 6,530 | $ 4,290 |
| Interest expense, net | 1,299 | 761 |
| Income tax expense | 1,123 | 2,549 |
| Depreciation and amortization | 755 | 714 |
| EBITDA | $ 9,707 | $ 8,314 |
| Additional adjustments: | | |
| Transaction costs (a) | — | 450 |
| Stock-based compensation expense (b) | 255 | 153 |
| Adjusted EBITDA | $ 9,962 | $ 8,917 |

(a) Represents costs and expenses related to our public offerings; all transaction costs are included in SG&A.
(b) Includes non-cash, stock-based compensation.

**Results of Operations**

***Thirteen Weeks Ended April 1, 2017 compared to Thirteen Weeks Ended March 26, 2016***

The following table sets forth our results of operations for the thirteen weeks ended April 1, 2017 and March 26, 2016 (in thousands):

| | Thirteen Weeks Ended | | Increase / (Decrease) | |
|---|---|---|---|---|
| | April 1, 2017 | March 26, 2016 | $ | % |
| Revenue: | | | | |
| Royalty revenue and franchise fees | $ 18,023 | $ 13,498 | $ 4,525 | 33.5 % |
| Company-owned restaurant sales | 8,546 | 8,576 | (30) | (0.3)% |
| Total revenue | 26,569 | 22,074 | 4,495 | 20.4 % |
| Costs and expenses: | | | | |
| Cost of sales (1) | 6,600 | 6,077 | 523 | 8.6 % |
| Selling, general and administrative | 10,262 | 7,655 | 2,607 | 34.1 % |
| Depreciation and amortization | 755 | 714 | 41 | 5.7 % |
| Total costs and expenses | 17,617 | 14,446 | 3,171 | 22.0 % |
| Operating income | 8,952 | 7,628 | 1,324 | 17.4 % |
| Interest expense, net | 1,299 | 761 | 538 | 70.7 % |
| Other expense, net | — | 28 | (28) | (100.0)% |
| Income before income tax expense | 7,653 | 6,839 | 814 | 11.9 % |
| Income tax expense | 1,123 | 2,549 | (1,426) | (55.9)% |
| Net income | $ 6,530 | $ 4,290 | $ 2,240 | 52.2 % |

(1) Exclusive of depreciation and amortization, shown separately.

*Total revenue.* During the thirteen weeks ended April 1, 2017, total revenue was $26.6 million, an increase of $4.5 million, or 20.4%, compared to $22.1 million in the comparable period in 2016.

*Royalty revenue and franchise fees.* During the thirteen weeks ended April 1, 2017, royalty revenue and franchise fees were $18.0 million, an increase of $4.5 million, or 33.5%, compared to $13.5 million in the comparable period in 2016. Royalty revenue increased $1.4 million due to an increase in the number of franchised restaurants from 854 at March 26, 2016 to 1,010 at April 1, 2017, partially offset by a decline in domestic same store sales of 1.1%. Other revenue increased $3.1 million, primarily due to a one-time payment, based on system-wide volumes purchased in the prior year, received in conjunction with a new vendor agreement that was executed during the period ended April 1, 2017. The funding from this agreement will primarily be used to support our national advertising campaign.

*Company-owned restaurant sales.* During the thirteen weeks ended April 1, 2017, company-owned restaurant sales were $8.5 million, comparable to the prior year period. The addition of two company-owned restaurants opened during the second and fourth fiscal quarters of 2016 largely offset the decline in company-owned domestic same store sales of 5.1%. Key factors contributing to the decline include a temporary closure of one company-owned restaurant, which negatively impacted company-owned domestic same store sales by 1.2% and sales cannibalization of six existing restaurants that negatively impacted company-owned domestic same store sales by 3.4%.

*Cost of sales.* During the thirteen weeks ended April 1, 2017, cost of sales was $6.6 million, an increase of $0.5 million, or 8.6%, compared to $6.1 million in the comparable period in 2016. Cost of sales as a percentage of company-owned restaurant sales was 77.2% in the quarter ended April 1, 2017 compared to 70.8% in the prior year.

The table below presents the major components of cost of sales (dollars in thousands):

| | Thirteen Weeks Ended | | | |
|---|---|---|---|---|
| | April 1, 2017 | As a % of company-owned restaurant sales | March 26, 2016 | As a % of company-owned restaurant sales |
| Cost of sales: | | | | |
| Food, beverage and packaging costs | $ 3,354 | 39.2 % | $ 3,211 | 37.4 % |
| Labor costs | 2,116 | 24.8 % | 1,738 | 20.3 % |
| Other restaurant operating expenses | 1,338 | 15.7 % | 1,316 | 15.3 % |
| Vendor rebates | (208) | (2.4)% | (188) | (2.2)% |
| Total cost of sales | $ 6,600 | 77.2 % | $ 6,077 | 70.8 % |

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 39.2% in the thirteen weeks ended April 1, 2017 compared to 37.4% in the comparable period in 2016. The increase is primarily due to an 11.0% increase in commodities rates for bone-in chicken wings as compared to the prior year period.

Labor costs as a percentage of company-owned restaurant sales were 24.8% for the thirteen weeks ended April 1, 2017 compared to 20.3% in the comparable period in 2016. The increase as a percentage of company-owned restaurant sales is primarily due to an increase in wage rates and labor due to the investments in roster sizes and staffing we made in the third and fourth quarters of fiscal year 2016 and deleveraging associated with the decline in same store sales and the impact of our two 2016 openings which perform at lower volumes than our average AUV.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 15.7% for the thirteen weeks ended April 1, 2017 compared to 15.3% in the comparable period in 2016. The increase as a percentage of company-owned restaurant sales is primarily due to sales deleveraging and increased rent and repairs and maintenance expenses over the prior year associated with remodels as we continue to make investments for future growth.

For the thirteen weeks ended April 1, 2017 vendor rebates were $0.2 million, comparable to prior year.

*Selling, general and administrative.* During the thirteen weeks ended April 1, 2017, SG&A expense was $10.3 million, an increase of $2.6 million compared to $7.7 million in the comparable period in 2016. The increase in SG&A expense is primarily due to a $2.9 million voluntary contribution the Company made to its advertising fund, which was an increase of $2.3 million over the prior year period. This increase was associated with the one-time payment recorded in royalty revenue and franchise fees in conjunction with a new vendor agreement executed during the thirteen weeks ended April 1, 2017 and is intended to provide support for the Company’s national advertising campaign.

*Depreciation and amortization.* During the thirteen weeks ended April 1, 2017, depreciation expense was $0.8 million, comparable to prior year.

*Interest expense, net.* During the thirteen weeks ended April 1, 2017, interest expense was $1.3 million, an increase of $0.5 million, or 70.7%, compared to $0.8 million in the comparable period in 2016. The increase is primarily due to an increase in the principal amount of indebtedness and applicable interest rate related to the refinancing of our credit agreement in June 2016.

*Income tax expense.* Income tax expense was $1.1 million in the thirteen weeks ended April 1, 2017, yielding an effective tax rate of 14.7%, compared to an effective tax rate of 37.3% in the prior year. The decrease in the effective tax rate is due to tax benefits of $1.7 million resulting from the recognition of excess tax benefits from share-based compensation in income tax expense rather than paid-in capital as a result of the adoption of a new accounting standard.

*Segment results.* The following table sets forth our revenue and operating profit for each of our segments for the period presented (dollars in thousands):

| | Thirteen Weeks Ended | | Increase / (Decrease) | |
|---|---|---|---|---|
| | April 1, 2017 | March 26, 2016 | $ | % |
| Revenue: | | | | |
| Franchise segment | $ 18,023 | $ 13,498 | $ 4,525 | 33.5 % |
| Company segment | 8,546 | 8,576 | (30) | (0.3)% |
| Total segment revenue | $ 26,569 | $ 22,074 | $ 4,495 | 20.4 % |
| Segment Profit: | | | | |
| Franchise segment | $ 7,873 | $ 6,372 | $ 1,501 | 23.6 % |
| Company segment | 1,079 | 1,706 | (627) | (36.8)% |
| Total segment profit | $ 8,952 | $ 8,078 | $ 874 | 10.8 % |

*Franchise segment.* During the thirteen weeks ended April 1, 2017, franchise segment revenue was $18.0 million, an increase of $4.5 million, or 33.5%, compared to $13.5 million in the comparable period in 2016. Royalty revenue increased $1.4 million due to 156 net franchise restaurant openings since March 26, 2016, partially offset by a decline in domestic same store sales of 1.1%. Other revenue increased $3.1 million, primarily due to a one-time payment, based on system-wide volumes purchased in the prior year, received under a new vendor agreement executed during the thirteen weeks ended April 1, 2017.

During the thirteen weeks ended April 1, 2017, franchise segment profit was $7.9 million, an increase of $1.5 million, or 23.6%, compared to $6.4 million in the comparable period in 2016 primarily due to the growth in revenue, offset by an increase of $2.3 million in voluntary contributions to the advertising fund over the prior year period. The increase in voluntary contributions was due to a one-time payment recorded in royalty revenue and franchise fees that was received under a new vendor agreement executed during the thirteen weeks ended April 1, 2017 and is intended to provide support for the Company's national advertising campaign.

*Company segment.* During the thirteen weeks ended April 1, 2017, company-owned restaurant sales were $8.5 million, comparable to the prior year period. The addition of two company-owned restaurants opened during the second and fourth fiscal quarters of 2016 largely offset the decline in company-owned domestic same store sales of 5.1%. Key factors contributing to the decline include a temporary closure of one company-owned restaurant, which negatively impacted company-owned domestic same store sales by 1.2% and sales cannibalization of six existing restaurants that negatively impacted company-owned domestic same store sales by 3.4%.

During the thirteen weeks ended April 1, 2017, company segment profit was $1.1 million, a decrease of $0.6 million, or 36.8%, compared to $1.7 million in the comparable period in 2016. The decrease was primarily due to an 11.0% increase in the commodities rates for bone-in chicken wings, an increase in wage rates and labor due to the investments in roster sizes and staffing we made in the third and fourth quarters of fiscal year 2016 and deleveraging associated with the decline in same store sales.

***Liquidity and Capital Resources***

*General.* Our primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents on hand, and proceeds from the incurrence of debt. Our primary requirements for liquidity and capital are working capital and general corporate needs. Historically, we have operated with minimal positive working capital or negative working capital. We believe that our sources of liquidity and capital will be sufficient to finance our continued operations and growth strategy.

The following table shows summary cash flows information for the thirteen weeks ended April 1, 2017 and March 26, 2016 (in thousands):

| | Thirteen Weeks Ended | |
|---|---|---|
| | **April 1, 2017** | **March 26, 2016** |
| Net cash provided by (used in): | | |
| Operating activities | $ 5,398 | $ 7,871 |
| Investing activities | (419) | (309) |
| Financing activities | (5,293) | (9,936) |
| Net change in cash and cash equivalents | $ (314) | $ (2,374) |

*Operating activities.* Our cash flows from operating activities are principally driven by sales at both franchise restaurants and company-owned restaurants, as well as franchise and development fees. We collect franchise royalties from our franchise owners on a weekly basis. Restaurant-level operating costs at our company-owned restaurants, unearned franchise and development fees and corporate overhead costs also impact our cash flows from operating activities.

Net cash provided by operating activities was $5.4 million in the thirteen weeks ended April 1, 2017, a decrease of $2.5 million from $7.9 million in 2016. The decrease was primarily due to the timing of changes in working capital, specifically the timing of interest and tax payments, offset by an increase in net income.

*Investing activities.* Our net cash used in investing activities was $0.4 million in the thirteen weeks ended April 1, 2017, an increase of $0.1 million from $0.3 million used in investing activities in 2016. The increase was due to an increase in capital expenditures over the comparable period.

*Financing activities.* Our net cash used in financing activities was $5.3 million in the thirteen weeks ended April 1, 2017, a decrease of $4.6 million from cash used in financing activities of $9.9 million in 2016. The decrease in cash used for financing activities is due to debt repayments of $5.9 million in the thirteen weeks ended April 1, 2017, compared to repayments of $10.0 million in the comparable period in 2016.

*Senior secured credit facility.* In June 2016, we entered into a $180.0 million new senior secured credit facility, which replaced the second amended and restated credit facility dated March 18, 2015. In connection with the new senior secured credit facility, the facility size was increased to $180.0 million and is comprised of a $70.0 million term loan and a $110.0 million revolving credit facility. The previous credit facility included a term loan of $132.5 million and a revolving credit facility of $5.0 million. We used the proceeds from the new senior secured credit facility and cash on hand to refinance $85.5 million of indebtedness under the Company’s March 2015 credit facility and to pay a dividend of $83.3 million to our stockholders. Borrowings under the new senior secured credit facility bear interest, payable quarterly, at the base rate plus a margin (1.00% to 2.00%, dependent on our reported leverage ratio) or LIBOR plus a margin (2.00% to 3.00%, dependent on our reported leverage ratio), at the Company’s discretion. The new senior secured credit facility also extended the maturity date from March 2020 to June 2021. Subject to certain conditions, the Company has the ability to increase the size of the new senior secured credit facility by an additional $30.0 million.

In the current year, we made principal prepayments of $5.9 million on our new senior secured credit facility. Under the new senior secured credit facility, principal installments for the term loan of $875,000 are due quarterly with all unpaid amounts due at maturity in June 2021.

The new senior secured credit facility is secured by substantially all of our assets and requires compliance with certain financial and non-financial covenants, including fixed charge coverage and leverage. We were in compliance with these covenants as of April 1, 2017. Failure to comply with these covenants in the future could cause an acceleration of outstanding amounts under the term loan and restrict us from borrowing under the revolving credit facility to fund our liquidity requirements.

### *Contractual Obligations*

In connection with our new senior secured credit facility, principal payments of $875,000 are due quarterly with all unpaid amounts due at maturity in June 2021.

### *Off-Balance Sheet Arrangements*

We had no off-balance sheet arrangements or obligations, except for leases, as of April 1, 2017.

### *Critical Accounting Policies and Estimates*

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. Our critical accounting policies and estimates are identified and described in our annual consolidated financial statements and the related notes included in our Form 10-K, and there have been no material changes since the filing of our annual report on Form 10-K.

### *Recent Accounting Pronouncements*

*JOBS Act.* We qualify as an "emerging growth company” pursuant to the provisions of the JOBS Act. For as long as we are an "emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, reduced disclosure obligations relating to the presentation of financial statements in Management’s Discussion and Analysis of Financial Condition and Results of Operations, exemptions from the requirements of holding advisory "say-on-pay” votes on executive compensation and shareholder advisory votes on golden parachute compensation. We have availed ourselves of the reduced reporting obligations and executive compensation disclosure in the Registration Statement, and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings.

In addition, an emerging growth company can delay its adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out” of this extended transition period, and as a result, we plan to comply with any new or revised accounting standards on the relevant dates on which non-emerging growth companies must adopt the standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

### **Special Note Regarding Forward-Looking Statements**

This document contains statements about future events and expectations that constitute forward-looking statements. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. Such statements include, in particular, statements about our plans, strategies and prospects. Words such as "expect,” "anticipate,” "intend,” "plan,” "believe,” "seek,” "estimate,” "could,” "would,” "will” and variations of such words and similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our expectations with respect to our future liquidity, expenses and consumer appeal. These statements are based on beliefs and assumptions of Wingstop’s management, which in turn are based on currently available information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things:

- overall macroeconomic conditions may impact our ability to successfully execute our growth strategy and franchise and open new restaurants that are profitable and to increase our revenue and operating profits;
- the impact of the operating results of our and our franchisees’ existing restaurants on our financial performance;

- the impact of new restaurant openings on our financial performance;
- our ability to recruit and contract with qualified franchisees and to open new franchise restaurants;
- our ability to develop and maintain the Wingstop brand, including through effective advertising and marketing and the support of our franchisees' and the negative impact of actions of a franchisee, acting as an independent third party, could have on our financial performance or brand;
- concerns regarding food safety and food-borne illness and other health concerns;
- our and our franchisees' reliance on vendors, suppliers and distributors or changes in food and supply costs, including any increase in the prices of the ingredients most critical to our menu, particularly bone-in chicken wings;
- our and our franchisees' ability to compete with many other restaurants and to increase domestic same store sales and average weekly sales;
- our ability to successfully meet or exceed the expectations of securities analysts or investors concerning our annual or quarterly operating results, domestic same store sales or average weekly sales;
- our expansion into new markets may present increased risks due to our unfamiliarity with those areas;
- the reliability of our, our franchisees' and our licensees' information technology systems and network security, including costs resulting from breaches of security of confidential guest, franchisee or employee information;
- legal complaints, litigation or regulatory compliance, including changes in laws impacting the franchise business model;
- our and our franchisees' ability to attract and retain qualified employees while also controlling labor costs;
- potential fluctuations in our annual or quarterly operating results and the impact of significant adverse weather conditions and other disasters;
- disruptions in our and our franchisees' ability to utilize computer systems to process transactions and manage our business;
- health concerns arising from outbreaks of viruses, including the impact of a pandemic spread of avian flu on our and our franchisees' supply of chicken;
- our and our franchisees' ability to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations;
- our ability to maintain insurance that provides adequate levels of coverage against claims;
- our and our franchisees' ability to successfully operate in unfamiliar markets and markets where there may be limited or no market recognition of our brand, including the impact that our expansion into international markets has on our exposure to risk factors over which neither we nor our franchisees have control;
- the potential impact opening new restaurants in existing markets could have on sales at existing restaurants;
- the effectiveness of our advertising and marketing campaigns, which may not be successful;
- food safety issues, which may adversely impact our or our franchisees' business;
- changes in consumer preferences, including changes caused by diet and health concerns or government regulation;
- the continued service of our executive officers;
- our ability to successfully open new franchised Wingstop restaurants for which we have signed commitments;
- our stated sales to investment ratio and average unlevered cash-on-cash return may not be indicative of future results of any new franchised restaurant;
- our ability to protect our intellectual property;
- our ability to generate or raise capital on acceptable terms in the future, including our ability to incur additional debt and other restrictions under the terms of our existing senior secured credit facility;
- the JOBS Act allowing us to postpone the date by which we must comply with certain laws and regulations intended to protect investors and to reduce the amount of information we provide in our reports filed with the SEC;
- the costs and time requirements as a result of operating as a public company, including our ability to maintain adequate internal control over financial reporting in order to comply with applicable reporting obligations;
- fluctuations in exchange rates on our revenue;
- future impairment charges; and

- the impact of anti-takeover provisions in our charter documents and under Delaware law, which could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

The above list of factors is not exhaustive. Some of these and other factors are discussed in more detail under "Risk Factors" in our annual report on Form 10-K. We assume no obligation to update or revise any forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

*Impact of Inflation.* The primary inflationary factors affecting our and our franchisees' operations are food and beverage costs, labor costs, energy costs and the costs and materials used in the construction of new restaurants. Our restaurant operations are subject to federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of our and our franchisees' restaurant personnel are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in the minimum wage increase our and our franchisees' labor costs. To the extent permitted by competition and the economy, we have mitigated increased costs by increasing menu prices and may continue to do so if deemed necessary in future years. Substantial increases in costs and expenses could impact our operating results to the extent such increases cannot be passed through to our customers. Historically, inflation has not had a material effect on our results of operations. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse impact on our business, financial condition and results of operations.

*Commodity Price Risk*. We are exposed to market risks from changes in commodity prices. Many of the food products purchased by us are affected by weather, production, availability and other factors outside our control. Although we attempt to minimize the effect of price volatility by negotiating fixed price contracts for the supply of key ingredients, there are no established fixed price markets for bone-in chicken wings, so we are subject to prevailing market conditions. Bone-in chicken wings accounted for approximately 31.1% and 30.2% of our company-owned restaurant cost of sales during the thirteen weeks ended April 1, 2017 and March 26, 2016, respectively, with an average price per pound of $2.12 and $1.91, respectively. A hypothetical 10% increase in the bone-in chicken wing costs would have increased costs of sales by approximately $0.2 million during the thirteen weeks ended April 1, 2017. We do not engage in speculative financial transactions nor do we hold or issue financial instruments for trading purposes. In instances when we use fixed pricing agreements with our suppliers, these agreements cover our physical commodity needs, are not net-settled, and are accounted for as normal purchases.

*Interest Rate Risk*. We are subject to interest rate risk in connection with borrowings under our senior secured credit facility, which bears interest at variable rates. As of April 1, 2017, we had $145.4 million outstanding under our credit facility. Derivative financial instruments, such as interest rate swap agreements and interest rate cap agreements, may be used for the purpose of managing fluctuating interest rate exposures that exist from our variable rate debt obligations that are expected to remain outstanding. Interest rate changes do not affect the market value of such debt, but could impact the amount of our interest payments, and accordingly, our future earnings and cash flows, assuming other factors are held constant. A hypothetical 1.0% percentage point increase or decrease in the interest rate associated with our credit facilities would have resulted in a $1.5 million impact on interest expense on an annualized basis.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of April 1, 2017, pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting*

There have been no other significant changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time we may be involved in claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of any of these actions, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

### Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our annual report on Form 10-K for the fiscal year ended December 31, 2016. There have been no material changes to our Risk Factors as previously reported.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

**Item 6. Exhibits**

**Index to Exhibits**

| **Exhibit No.** | **Description** |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Wingstop Inc. filed as exhibit 3.1 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference |
| 3.2 | Amended and Restated Bylaws of Wingstop Inc. filed as exhibit 3.2 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference |
| 10.1 | Form of Performance-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.1 to the Form 8-K of the Company on January 31, 2017 and incorporated herein by reference |
| 10.2 | Form of Service-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.2 to the Form 8-K of the Company on January 31, 2017 and incorporated herein by reference |
| 10.3 | Form of Restricted Stock Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.3 to the Form 8-K of the Company on January 31, 2017 and incorporated herein by reference |
| 31.1* | Certification of Principal Executive Officer under Section 302 of the Sarbanes–Oxley Act of 2002 |
| 31.2* | Certification of Principal Financial Officer under Section 302 of the Sarbanes–Oxley Act of 2002 |
| 32.1** | Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 |
| 32.2** | Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 |
| 101 INS* | XBRL Instance Document |
| 101 SCH* | XBRL Taxonomy Extension Schema Document |
| 101 CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101 DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101 LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101 PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.
** Furnished, not filed.

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Wingstop Inc.

(Registrant)

| | | |
|---|---|---|
| Date: May 5, 2017 | By: | /s/ Charles R. Morrison |
| | | *President and Chief Executive Officer* |
| | | (Principal Executive Officer) |
| Date: May 5, 2017 | By: | /s/ Michael F. Mravle |
| | | *Chief Financial Officer* |
| | | (Principal Financial and Accounting Officer) |

**Exhibit 31.1**

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles R. Morrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wingstop Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

By: /s/ Charles R. Morrison

*President and Chief Executive Officer*

(Principal Executive Officer)

**Exhibit 31.2**

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael F. Mravle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wingstop Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

By: /s/ Michael F. Mravle
*Chief Financial Officer*
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Wingstop Inc. (the "Company") on Form 10-Q for the period ended April 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Morrison, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2017

By: /s/ Charles R. Morrison

*President and Chief Executive Officer*

(Principal Executive Officer)

**Exhibit 32.2**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Wingstop Inc. (the "Company") on Form 10-Q for the period ended April 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael F. Mravle, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2017

By: /s/ Michael F. Mravle

*Chief Financial Officer*

(Principal Financial and Accounting Officer)