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 March 28, 2020

☐ **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
Dallas
Texas 75240

(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	WING	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 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.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	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, 2020 there were 29,583,394 shares of common stock outstanding.

TABLE OF CONTENTS

		Page
PART I	Financial Information	4
Item 1.	Financial Statements	4
	Consolidated Balance Sheets - March 28, 2020 (Unaudited) and December 28, 2019	4
	Consolidated Statements of Operations (Unaudited) - Thirteen Weeks Ended March 28, 2020 and March 30, 2019	5
	Consolidated Statement of Stockholders' Deficit (Unaudited) - Thirteen Weeks Ended March 28, 2020 and March 30, 2019	6
	Consolidated Statements of Cash Flows (Unaudited) - Thirteen Weeks Ended March 28, 2020 and March 30, 2019	7
	Notes to Consolidated Financial Statements (Unaudited)	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	25
PART II	Other Information	26
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Mine Safety Disclosures	27
Item 5.	Other Information	27
Item 6.	Exhibits	28
	Signatures	29

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

		March 28, 2020 (Unaudited)		December 28, 2019
Assets				
Current assets				
Cash and cash equivalents	$	31,030	$	12,849
Restricted cash		4,046		4,790
Accounts receivable, net		5,140		5,175
Prepaid expenses and other current assets		1,376		2,449
Advertising fund assets, restricted		11,256		4,927
Total current assets		52,848		30,190
Property and equipment, net		28,434		27,842
Goodwill		50,188		50,188
Trademarks		32,700		32,700
Customer relationships, net		12,583		12,910
Other non-current assets		11,761		12,283
Total assets	**$**	**188,514**	**$**	**166,113**
Liabilities and stockholders' deficit				
Current liabilities				
Accounts payable	$	3,881	$	3,348
Other current liabilities		14,154		21,454
Current portion of debt		16,000		3,200
Advertising fund liabilities		11,256		4,927
Total current liabilities		45,291		32,929
Long-term debt, net		310,461		307,669
Deferred revenues, net of current		22,118		22,343
Deferred income tax liabilities, net		5,988		4,485
Other non-current liabilities		7,604		8,115
Total liabilities		391,462		375,541
Commitments and contingencies (see Note 7)				
Stockholders' deficit				
Common stock, $0.01 par value; 100,000,000 shares authorized; 29,583,394 and 29,457,228 shares issued and outstanding as of March 28, 2020 and December 28, 2019, respectively		296		295
Additional paid-in-capital		219		552
Accumulated deficit		(203,463)		(210,275)
Total stockholders' deficit		(202,948)		(209,428)
Total liabilities and stockholders' deficit	**$**	**188,514**	**$**	**166,113**

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	
	March 28, 2020	**March 30, 2019**
Revenue:		
Royalty revenue, franchise fees and other	$ 24,199	$ 21,328
Advertising fees and related income	16,014	13,210
Company-owned restaurant sales	15,223	13,515
Total revenue	55,436	48,053
Costs and expenses:		
Cost of sales [(1)]	11,176	9,730
Advertising expenses	14,924	12,734
Selling, general and administrative	14,310	12,542
Depreciation and amortization	1,555	1,276
Total costs and expenses	41,965	36,282
Operating income	13,471	11,771
Interest expense, net	4,145	4,410
Income before income tax expense	9,326	7,361
Income tax expense	1,230	755
Net income	$ 8,096	$ 6,606
Earnings per share		
Basic	$ 0.27	$ 0.23
Diluted	$ 0.27	$ 0.22
Weighted average shares outstanding		
Basic	29,487	29,337
Diluted	29,742	29,637
Dividends per share	$ 0.11	$ 0.09

[(1)] Cost of sales includes all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented separately.

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Deficit
For the Thirteen Weeks Ended March 30, 2019 and March 28, 2020
(amounts in thousands, except share data)
(Unaudited)

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at December 29, 2018	29,296,939	$ 293	$ 1,036	$ (226,159)	$ (224,830)
Adjustment for ASC 842 adoption	—	—	—	154	154
Net income	—	—	—	6,606	6,606
Shares issued under stock plans	114,936	1	157	—	158
Tax payments for restricted stock upon vesting	(12,469)	—	—	(833)	(833)
Stock-based compensation expense	—	—	838	—	838
Dividends paid	—	—	(1,825)	(746)	(2,571)
Balance at March 30, 2019	29,399,406	294	206	(220,978)	(220,478)

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at December 28, 2019	29,457,228	$ 295	$ 552	$ (210,275)	$ (209,428)
Net income	—	—	—	8,096	8,096
Shares issued under stock plans	128,585	1	504	—	505
Tax payments for restricted stock upon vesting	(2,419)	—	—	(229)	(229)
Stock-based compensation expense	—	—	1,331	—	1,331
Dividends paid	—	—	(2,168)	(1,055)	(3,223)
Balance at March 28, 2020	29,583,394	296	219	(203,463)	(202,948)

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Operating activities		
Net income	$ 8,096	$ 6,606
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,555	1,276
Deferred income taxes	1,503	(258)
Stock-based compensation expense	1,331	838
Amortization of debt issuance costs	411	376
Changes in operating assets and liabilities:		
Accounts receivable	35	846
Prepaid expenses and other assets	902	1,107
Advertising fund assets and liabilities, net	5,708	4,217
Accounts payable and other current liabilities	(6,370)	(4,480)
Deferred revenue	(189)	(507)
Other non-current liabilities	(511)	(423)
Cash provided by operating activities	12,471	9,598
Investing activities		
Purchases of property and equipment	(1,579)	(641)
Cash used in investing activities	(1,579)	(641)
Financing activities		
Proceeds from exercise of stock options	505	158
Borrowings of long-term debt	16,000	—
Repayments of long-term debt	(800)	—
Tax payments for restricted stock upon vesting	(229)	(833)
Dividends paid	(3,223)	(2,571)
Cash provided by (used in) financing activities	12,253	(3,246)
Net change in cash, cash equivalents, and restricted cash	23,145	5,711
Cash, cash equivalents, and restricted cash at beginning of period	21,175	20,940
Cash, cash equivalents, and restricted cash at end of period	$ 44,320	$ 26,651

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

Basis of Presentation

Wingstop Inc., together with its consolidated subsidiaries (collectively, "Wingstop" or the "Company"), is in the business of franchising and operating Wingstop restaurants. As of March 28, 2020, the Company had 1,221 domestic franchised restaurants, and 160 international franchised restaurants. As of March 28, 2020, the Company owned and operated 32 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 have been condensed or omitted. Balance sheet amounts are as of March 28, 2020 and December 28, 2019, and operating results are for the thirteen weeks ended March 28, 2020 and March 30, 2019.

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 28, 2019.

The Company uses a 52/53-week fiscal year that ends on the last Saturday of the calendar year. Fiscal years 2020 and 2019 each have 52 weeks.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash within the Consolidated Balance Sheets and the Consolidated Statements of Cash Flows as of March 28, 2020 and December 28, 2019 were as follows (in thousands):

	March 28, 2020	December 28, 2019
Cash and cash equivalents	$ 31,030	$ 12,849
Restricted cash	4,046	4,790
Restricted cash, included in Advertising fund assets, restricted	9,244	3,536
Total cash, cash equivalents, and restricted cash	$ 44,320	$ 21,175

Recently Issued Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12). ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including applicable interim periods. The Company is currently assessing the impact of adopting this standard but does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

(2) Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders 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 convertible into, 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 the exercise and vesting of stock options and restricted stock units, respectively, determined using the treasury stock method.

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

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Basic weighted average shares outstanding	29,487	29,337
Dilutive shares	255	300
Diluted weighted average shares outstanding	29,742	29,637

For the thirteen weeks ended March 28, 2020 and March 30, 2019, equity awards representing approximately 4,000 and 40,000 shares, respectively, were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive.

(3) Dividends

On February 18, 2020, the Company's Board of Directors declared a quarterly dividend of $0.11 per share of common stock for stockholders of record as of March 6, 2020, which was paid on March 20, 2020, totaling $3.2 million.

Subsequent to the first quarter, on May 5, 2020, the Company's Board of Directors declared a quarterly dividend of $0.11 per share of common stock for stockholders of record as of June 18, 2020, to be paid on June 25, 2020, totaling approximately $3.2 million.

(4) 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):

		March 28, 2020		December 28, 2019	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Securitized Financing Facility:					
2018-1 Class A-2 Senior Secured Notes (1)	Level 2	$ 316,800	$ 312,121	$ 317,600	$ 331,247
2018-1 Class A-1 Variable Funding Senior Notes (2)	Level 2	$ 16,000	$ 16,000	$ —	$ —

(1) The fair value of the 2018-1 Class A-2 Senior Secured Notes was estimated using available market information.
(2) The fair value of the 2018-1 Class A-1 Variable Funding Senior Notes was estimated based on the borrowing rates currently available for variable rate loans obtained from third-party lending institutions and approximated the book value of such 2018-1 Class A-1 Variable Funding Senior Notes.

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

(5) Income Taxes

Income tax expense and the effective tax rate were $1.2 million and 13.2%, respectively, for the thirteen weeks ended March 28, 2020, and $0.8 million and 10.3%, respectively, for the thirteen weeks ended March 30, 2019.

Income tax expense for the thirteen weeks ended March 28, 2020 and the thirteen weeks ended March 30, 2019 includes $1.2 million in tax benefits resulting from the recognition of excess tax benefits from stock-based compensation.

(6) Debt Obligations

Long-term debt consists of the following components (in thousands):

	March 28, 2020	December 28, 2019
2018-1 Class A-2 Senior Secured Notes	$ 316,800	$ 317,600
2018-1 Class A-1 Variable Funding Senior Notes	16,000	—
Debt issuance costs, net of amortization	(6,339)	(6,731)
Total debt	326,461	310,869
Less: current portion of debt	(16,000)	(3,200)
Long-term debt, net	$ 310,461	$ 307,669

The Company's outstanding debt consists of (i) Series 2018-1 4.97% Fixed Rate Senior Secured Notes, Class A-2 (the "Class A-2 Notes") issued by Wingstop Funding LLC (the "Issuer"), a limited-purpose, bankruptcy-remote, wholly owned indirect subsidiary of Wingstop Inc. and (ii) Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes"), which permit borrowings of up to a maximum principal amount of $20 million, which may be used to borrow amounts on a revolving basis and to issue letters of credit.

As of March 28, 2020, we had $316.8 million of Class A-2 Notes outstanding and $16.0 million Variable Funding Notes outstanding. The Variable Funding Notes were issued in the first quarter of 2020 as a precautionary measure to improve the Company's cash position. The Variable Funding Notes had a weighted average interest rate of 2.72% as of March 28, 2020 and is classified as current debt. There were no borrowings outstanding under the Variable Funding Notes as of December 28, 2019. Further, as of March 28, 2020 and December 28, 2019, $4.0 million of letters of credit were outstanding against the Variable Funding Notes, which relate primarily to interest reserves required under the base indenture and related supplemental indenture. There were no amounts drawn down on the letter of credit as of March 28, 2020 or December 28, 2019.

During the first fiscal quarter of 2020, the Company had a leverage ratio under the Class A-2 Notes of less than 5.0x. Per the terms of the Company’s debt agreements, principal payments are not due until the repayment date as long as the Company maintains a leverage ratio of less than 5.0x. As such, the Company ceased principal payments beginning in the second quarter of 2020. Accordingly, the entire outstanding balance of the Class A-2 notes has been classified as long-term debt.

The Class A-2 Notes and the Variable Funding Notes were each issued in a securitization transaction pursuant to which certain of the Company’s domestic and foreign revenue-generating assets, consisting principally of franchise-related agreements and intellectual property, were contributed or otherwise transferred to the Issuer and certain other limited-purpose, bankruptcy-remote, wholly owned indirect subsidiaries of the Company that act as guarantors of the Notes and that have pledged substantially all of their assets.

(7) Commitments and Contingencies

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 such actions is not likely to have a material adverse impact on the Company’s financial position, results of operations, or cash flows.

(8) Stock-Based Compensation

Stock-based compensation is measured at the date of grant, based on the calculated fair value of the award, and is recognized as expense over the requisite employee service period (generally the vesting period of the grant). The Company recognized $1.3 million in stock-based compensation expense for the thirteen weeks ended March 28, 2020, with a corresponding increase to additional paid-in-capital. Stock-based compensation expense is included in selling, general and administrative expense in the Consolidated Statements of Operations.

Stock Options

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

	Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Term
Outstanding - December 28, 2019	134	$ 5.72	$ 10,801	3.8
Options granted	64	82.29		
Options exercised	(39)	13.11		
Outstanding - March 28, 2020	159	$ 34.72	$ 7,223	5.7

The total grant-date fair value of stock options vested during the thirteen weeks ended March 28, 2020 was $0.2 million. The total intrinsic value of stock options exercised during the thirteen weeks ended March 28, 2020 was $1.9 million. As of March 28, 2020, total unrecognized compensation expense related to unvested stock options was $1.4 million, which is expected to be recognized over a weighted-average period of 2.9 years. During the thirteen weeks ended March 28, 2020, there was a modification to certain awards resulting in additional compensation expense of $0.4 million.

Restricted Stock Units and Performance Stock Units

The following table summarizes activity related to restricted stock units ("RSUs") and performance stock units ("PSUs") (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 28, 2019	82	$ 52.73	169	$ 55.92
Units granted	21	82.43	42	82.40
Units vested	(38)	44.07	(53)	41.54
Units canceled	(9)	63.32	(8)	66.04
Outstanding - March 28, 2020	56	$ 67.83	150	$ 67.74

The fair value of the Company's RSUs and PSUs is based on the closing market price of the stock on the date of grant. The RSUs granted during the thirteen weeks ended March 28, 2020 vest over a three-year service period. As of March 28, 2020, total unrecognized compensation expense related to unvested RSUs was $3.6 million, which is expected to be recognized over a weighted-average period of 2.1 years.

The Company granted 41,516 PSUs during the thirteen weeks ended March 28, 2020 that are based on a service condition and a performance vesting condition based on the achievement of certain adjusted EBITDA targets over a performance period of three years. The maximum vesting percentage that could be realized for each of the PSUs is 250% based on the level of performance achieved for the respective awards, as well as a market vesting condition linked to the level of total stockholder return received by the Company's stockholders during the performance period measured against the companies in the S&P 600 Restaurant Index ("TSR PSUs"). The TSR PSUs were valued based on a Monte Carlo simulation model to reflect the impact of the total stockholder return market condition, resulting in a grant-date fair value range of $0.00 to $157.96 per unit based on the outcome of the performance condition. The probability of satisfying a market condition is considered in the estimation of the grant-date fair value for TSR PSUs and the compensation cost is not reversed if the market condition is not achieved, provided the requisite service has been provided. The compensation expense related to these PSUs is recognized over the vesting period when the achievement of the performance conditions becomes probable. The total compensation cost for the PSUs is determined based on the most likely outcome of the performance condition and the number of awards expected to vest. As of March 28, 2020, total unrecognized compensation expense related to unvested PSUs was $6.4 million.

(9) Business Segments

The Company's business operates in two segments: the "Franchise" segment and the "Company" segment. The Franchise segment consists of domestic and international franchise restaurants, which represent the majority of the Company's system-wide restaurants. As of March 28, 2020, the Franchise segment consisted of 1,381 restaurants franchised in the United States and international markets, compared to 1,244 franchised restaurants as of March 30, 2019. Franchise segment revenue consists primarily of franchise royalty revenue, advertising fee revenue, franchise and development fees revenue, and international territory fees.

As of March 28, 2020, the Company segment consisted of 32 company-owned restaurants located in the United States, compared to 29 company-owned restaurants as of March 30, 2019. Company segment revenue is comprised of food and beverage sales at company-owned restaurants. Company segment expenses consist of operating expenses at company-owned restaurants and include food, beverage, labor, benefits, utilities, rent, and other operating costs.

The following table reflects revenue and profit information with respect to each segment and reconciles segment profits to income before taxes (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Revenue:		
Franchise segment	$ 40,213	$ 34,538
Company segment	15,223	13,515
Total segment revenue	$ 55,436	$ 48,053
Segment Profit:		
Franchise segment	$ 10,793	$ 9,255
Company segment	2,678	2,516
Total segment profit	13,471	11,771
Interest expense, net	4,145	4,410
Income before taxes	$ 9,326	$ 7,361

(10) Revenue from Contracts with Customers

The following table represents a disaggregation of revenue from contracts with customers for the thirteen weeks ended March 28, 2020 and March 30, 2019 (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Royalty revenue	$ 21,307	$ 17,907
Advertising fees and related income	16,014	13,210
Franchise fees	883	1,582

Franchise fee, development fee, and international territory fee payments received by the Company are recorded as deferred revenue on the Consolidated Balance Sheets, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective restaurant. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the thirteen weeks ended March 28, 2020 was included in the deferred revenue balance as of December 28, 2019. Approximately $8.1 million and $8.3 million of deferred revenue as of March 28, 2020 and December 28, 2019, respectively, relates to restaurants that have not yet opened, so the fees are not yet being amortized. The weighted average remaining amortization period for deferred franchise and renewal fees related to open restaurants is 7.2 years. The Company does not have any material contract assets as of March 28, 2020.

(11) Subsequent Events

Subsequent to the end of the Company's fiscal quarter ended March 28, 2020, the Company entered into two separate arrangements to re-franchise company-owned restaurants, one arrangement is to sell two stores in the Houston market and the other arrangement is to sell five stores in the Kansas City market, for a total purchase price of approximately $4.8 million. These transactions are subject to customary closing conditions, and the Company expects both transactions to close in the second quarter of fiscal year 2020.

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

The following discussion and analysis of the financial condition and results of operations of Wingstop Inc. (collectively with its direct and indirect subsidiaries on a consolidated basis, "Wingstop," the "Company," "we," "our," or "us") should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Quarterly Report") and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 (our "Annual Report"). The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity, and capital resources, and other non-historical statements 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 14 of our Annual Report and in Part II, Item 1A of this Quarterly Report. 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 2020 and 2019 each contain 52 weeks.

Overview

Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world, with over 1,400 locations worldwide. We are dedicated to serving the world flavor through an unparalleled guest experience and offering of classic wings, boneless wings and tenders, always cooked to order and hand-sauced-and-tossed in 11 bold, distinctive flavors.

The Company is primarily a franchisor, with approximately 98% of Wingstop's restaurants currently owned and operated by independent franchisees. We believe our asset-light, highly-franchised business model generates strong operating margins and requires low capital expenditures, creating stockholder value through strong and consistent free cash flow and capital-efficient growth.

Wingstop generates revenues by charging royalties, advertising fees, and franchise fees to our franchisees and by operating a number of our own restaurants. We report our business in two reporting segments: franchise operations and company restaurant operations. During the thirteen weeks ended March 28, 2020, our franchise segment accounted for 72.5% and our company segment accounted for 27.5% of our consolidated revenues. Financial data for our reporting segments is included in the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report.

Impact of COVID-19

In March 2020, the novel coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization, significantly changing consumer behaviors as individuals are being encouraged to practice social distancing. This has also led to restaurants reducing restaurant seating capacity, and in some cases restaurant closures, due to various restrictions mandated by governments around the world. As of March 16, 2020, we made the decision to close our domestic dining rooms and limit our service to carryout and delivery only. Several of our international markets also closed their dining rooms as a result of the outbreak. As of the end of the first quarter, approximately 15 of our international restaurants and 5 domestic restaurants were temporarily closed. While we cannot predict the extent to which COVID-19 will impact our business or the global economy, we believe our business is well-positioned for the transition to largely off-premise dining that has resulted from the outbreak. Prior to the COVID-19 outbreak, carry-out and delivery represented approximately 80% of our domestic sales mix and our digital sales mix was just over 40%. As a result of the required changes to consumer behavior to largely off-premise dining, as well as promotional activities associated with delivery, we have seen an increase in domestic same store sales growth the last two weeks of March 2020 through the first four weeks of our fiscal second quarter. Our international markets, which have historically had a higher mix of dine-in sales, have seen an overall decline in same store sales growth due to the required closure of dining rooms and in some cases temporary restaurant closures. We did not experience difficulties with our supply chain as a result of COVID-19 during the first quarter; however, there can be no assurances that we may not experience supply chain challenges. Lastly, to further secure our liquidity position and provide financial flexibility in light of uncertain market conditions, we borrowed $16 million under our Variable Funding Notes (as defined below) in the first quarter of 2020, providing the Company with an unrestricted cash balance of approximately $31 million as of March 28, 2020. See *"Liquidity and Capital Resources"* below for further details.

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.

	Thirteen Weeks Ended	
	March 28, 2020	March 30, 2019
Domestic Franchised Activity:		
Beginning of period	1,200	1,095
Openings	22	20
Closures	(1)	(3)
Acquired by Company	—	—
Restaurants end of period	1,221	1,112
Domestic Company-Owned Activity:		
Beginning of period	31	29
Openings	1	—
Closures	—	—
Acquired from franchisees	—	—
Restaurants end of period	32	29
Total Domestic Restaurants	**1,253**	**1,141**
International Franchised Activity:		
Beginning of period	154	128
Openings	6	6
Closures	—	(2)
Restaurants end of period	160	132
Total System-wide Restaurants	**1,413**	**1,273**

System-wide sales. System-wide sales represents net sales for all of our company-owned and franchised restaurants, with franchised restaurant sales 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 ranges 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 permanent closures. We review same store sales for company-owned restaurants as well as franchised restaurants. Same store sales are driven by changes in transactions and average transaction size. Transaction size changes are driven by price changes or product mix shifts from either a change in the number of items purchased or shifts into higher or lower priced categories of items.

EBITDA and Adjusted EBITDA. 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 stock-based compensation expense. EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies due to differences in methods of calculation. For a reconciliation of net income to EBITDA and Adjusted EBITDA and 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 March 28, 2020 and March 30, 2019 (dollars in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	**March 30, 2019**
Number of system-wide restaurants open at end of period	1,413	1,273
System-wide sales (1)	$ 429,898	$ 362,369
Domestic restaurant AUV	$ 1,272	$ 1,156
Domestic same store sales growth	9.9 %	7.1 %
Company-owned domestic same store sales growth	6.2 %	4.7 %
Total revenue	$ 55,436	$ 48,053
Net income	$ 8,096	$ 6,606
Adjusted EBITDA (2)	$ 16,357	$ 13,885

(1) The percentage of system-wide sales attributable to company-owned restaurants was 3.4% and 3.7% for the thirteen weeks ended March 28, 2020 and March 30, 2019, 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, accounting principles generally accepted in the United States ("GAAP"). EBITDA and Adjusted EBITDA should not be considered as an alternative to net income or any other performance measure derived in accordance with 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 stock-based compensation expense. 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 on a period-over-period basis 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-based equity awards.

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. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants, such as our 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 GAAP results and using these non-GAAP measures only supplementally. As noted in the table below, Adjusted EBITDA includes adjustments for stock-based compensation expense. It is reasonable to expect that this item 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. Each of the normal recurring adjustments and other adjustments described in this paragraph and in the reconciliation table below help management measure 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 March 28, 2020 and March 30, 2019 (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	**March 30, 2019**
Net income	$ 8,096	$ 6,606
Interest expense, net	4,145	4,410
Income tax expense	1,230	755
Depreciation and amortization	1,555	1,276
EBITDA	$ 15,026	$ 13,047
Additional adjustments:		
Stock-based compensation expense (a)	1,331	838
Adjusted EBITDA	$ 16,357	$ 13,885

(a) Includes non-cash, stock-based compensation.

Results of Operations

Thirteen Weeks Ended March 28, 2020 compared to Thirteen Weeks Ended March 30, 2019

The following table sets forth our results of operations for the thirteen weeks ended March 28, 2020 and March 30, 2019 (dollars in thousands):

	Thirteen Weeks Ended		Increase / (Decrease)	
	March 28, 2020	**March 30, 2019**	**$**	**%**
Revenue:				
Royalty revenue, franchise fees and other	$ 24,199	$ 21,328	$ 2,871	13.5 %
Advertising fees and related income	16,014	13,210	2,804	21.2 %
Company-owned restaurant sales	15,223	13,515	1,708	12.6 %
Total revenue	55,436	48,053	7,383	15.4 %
Costs and expenses:				
Cost of sales [(1)]	11,176	9,730	1,446	14.9 %
Advertising expenses	14,924	12,734	2,190	17.2 %
Selling, general and administrative	14,310	12,542	1,768	14.1 %
Depreciation and amortization	1,555	1,276	279	21.9 %
Total costs and expenses	41,965	36,282	5,683	15.7 %
Operating income	13,471	11,771	1,700	14.4 %
Interest expense, net	4,145	4,410	(265)	(6.0)%
Income before income tax expense	9,326	7,361	1,965	26.7 %
Income tax expense	1,230	755	475	62.9 %
Net income	$ 8,096	$ 6,606	$ 1,490	22.6 %

(1) Cost of sales includes all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented separately.

Total revenue. During the thirteen weeks ended March 28, 2020, total revenue was $55.4 million, an increase of $7.4 million, or 15.4%, compared to $48.1 million in the comparable period in 2019.

Royalty revenue, franchise fees and other. During the thirteen weeks ended March 28, 2020, royalty revenue, franchise fees and other was $24.2 million, an increase of $2.9 million, or 13.5%, compared to $21.3 million in the comparable period in 2019. Royalty revenue increased due to 137 net franchise restaurant openings since March 30, 2019 and domestic same store sales growth of 9.9%. Franchise fees decreased $0.7 million primarily due to higher termination fees recognized in the first thirteen weeks of fiscal year 2019.

Advertising fees and related income. During the thirteen weeks ended March 28, 2020, advertising fees and related income was $16.0 million, an increase of $2.8 million, or 21.2%, compared to $13.2 million in the comparable period in 2019. Advertising fees increased primarily due to the 18.6% increase in system-wide sales in the thirteen weeks ended March 28, 2020 compared to the thirteen weeks ended March 30, 2019.

Company-owned restaurant sales. During the thirteen weeks ended March 28, 2020, company-owned restaurant sales were $15.2 million, an increase of $1.7 million, or 12.6%, compared to $13.5 million in the comparable period in 2019. The increase was primarily due an increase in company-owned same store sales of 6.2%, which was primarily driven by an increase in transactions, as well as the acquisition of one franchised restaurant and the opening of two company-owned restaurant since the prior year comparable period, resulting in additional sales of $0.9 million.

Cost of sales. During the thirteen weeks ended March 28, 2020, cost of sales was $11.2 million, an increase of $1.4 million, or 14.9%, compared to $9.7 million in the comparable period in 2019. Cost of sales as a percentage of company-owned restaurant sales was 73.4% in the thirteen weeks ended March 28, 2020 compared to 72.0% in the prior year period.

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

	Thirteen Weeks Ended			
	March 28, 2020		March 30, 2019	
	In dollars	As a % of company-owned restaurant sales	In dollars	As a % of company-owned restaurant sales
Cost of sales:				
Food, beverage and packaging costs	$ 5,477	36.0 %	$ 4,816	35.6 %
Labor costs	3,524	23.1 %	3,024	22.4 %
Other restaurant operating expenses	2,567	16.9 %	2,277	16.8 %
Vendor rebates	(392)	(2.6) %	(387)	(2.9) %
Total cost of sales	$ 11,176	73.4 %	$ 9,730	72.0 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 36.0% in the thirteen weeks ended March 28, 2020, compared to 35.6% in the comparable period in 2019. The increase was primarily due to an increase in packaging costs associated with the increase in delivery and take-out orders at the end of the first quarter.

Labor costs as a percentage of company-owned restaurant sales were 23.1% for the thirteen weeks ended March 28, 2020, compared to 22.4% in the comparable period in 2019. The increase was primarily due to wage inflation as well as incentive pay associated with COVID-19, which provided as much as an additional $150 per week to full-time team members. These increases were slightly offset by the increase in company-owned domestic same store sales of 6.2%.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 16.9% for the thirteen weeks ended March 28, 2020, compared to 16.8% in the comparable period in 2019. The increase as a percentage of company-owned restaurant sales was due to a slight increase in delivery fees due to the growth in delivery mix as a percent of total sales. This increase was offset by the increase in company-owned domestic same store sales of 6.2%.

Advertising expenses. During the thirteen weeks ended March 28, 2020, advertising expenses were $14.9 million, an increase of $2.2 million, or 17.2%, compared to $12.7 million in the comparable period in 2019. Advertising expenses are recognized at the same time the related revenue is recognized, which does not necessarily correlate to the actual timing of the related advertising spend.

Selling, general and administrative ("SG&A"). During the thirteen weeks ended March 28, 2020, SG&A expense was $14.3 million, an increase of $1.8 million, or 14.1%, compared to $12.5 million in the comparable period in 2019. The increase in SG&A expense was due to an increase of $0.6 million of charges associated with certain organizational changes, $0.5 million associated with additional expenses to support our national advertising campaign which has an equal and offsetting contribution in revenue, and an increase of $0.5 million in stock-based compensation expense.

Depreciation and amortization. During the thirteen weeks ended March 28, 2020, depreciation and amortization expense was $1.6 million, an increase of $0.3 million, or 21.9%, compared to $1.3 million in the comparable period in 2019. The increase in depreciation and amortization expense was primarily due to additional capital expenditures related to investments in technology.

Interest expense, net. During the thirteen weeks ended March 28, 2020, interest expense was $4.1 million, a decrease of $0.3 million, or 6.0%, compared to $4.4 million in the comparable period in 2019. The decrease in interest expense was primarily due to a lower average outstanding debt balance from the prior year comparable period.

Income tax expense. Income tax expense was $1.2 million in the thirteen weeks ended March 28, 2020, yielding an effective tax rate of 13.2%, compared to an effective tax rate of 10.3% in the prior year period. The slight increase in the effective tax rate was primarily due to the impact of excess tax benefits associated with stock options on the effective rate.

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

	Thirteen Weeks Ended		Increase	
	March 28, 2020	March 30, 2019	$	%
Revenue:				
Franchise segment	$ 40,213	$ 34,538	$ 5,675	16.4 %
Company segment	15,223	13,515	1,708	12.6 %
Total segment revenue	$ 55,436	$ 48,053	$ 7,383	15.4 %
Segment Profit:				
Franchise segment	$ 10,793	$ 9,255	$ 1,538	16.6 %
Company segment	2,678	2,516	162	6.4 %
Total segment profit	$ 13,471	$ 11,771	$ 1,700	14.4 %

Franchise segment. During the thirteen weeks ended March 28, 2020, franchise segment revenue was $40.2 million, an increase of $5.7 million, or 16.4%, compared to $34.5 million in the comparable period in 2019. Royalty revenue increased $3.4 million, primarily due to 137 net franchise restaurant openings since March 30, 2019 and domestic same store sales growth of 9.9%. Advertising fees and related income increased $2.8 million primarily due to the 18.6% increase in system-wide sales in the thirteen weeks ended March 28, 2020 compared to the comparable period in 2019. These increases were slightly offset by a decrease in franchise fees of $0.7 million primarily due to higher termination fees recognized in the first thirteen weeks of fiscal year 2019.

During the thirteen weeks ended March 28, 2020, franchise segment profit was $10.8 million, an increase of $1.5 million, or 16.6%, compared to $9.3 million in the comparable period in 2019, primarily due to the growth in franchise segment revenue, which was offset by an increase of $2.2 million in advertising expenses and an increase of $1.8 million in SG&A expenses related to increased expenses associated with organizational changes, stock-based compensation, and our national advertising campaign.

Company segment. During the thirteen weeks ended March 28, 2020, company-owned restaurant sales were $15.2 million, an increase of $1.7 million, or 12.6%, compared to $13.5 million in the comparable period in 2019. The increase was primarily due an increase in company-owned same store sales of 6.2%, which was primarily driven by an increase in transactions as well as the acquisition of one franchised restaurant and the opening of two company-owned restaurants since the prior year comparable period, resulting in additional sales of $0.9 million.

During the thirteen weeks ended March 28, 2020, company segment profit was $2.7 million, an increase of $0.2 million, or 6.4%, compared to $2.5 million in the comparable period in 2019. The increase was primarily due to an increase in company-owned same store sales of 6.2%.

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 with negative working capital. We have in the past, and may in the future, refinance our existing indebtedness with new debt arrangements and/or equity issuances and utilize a portion of funds to return capital to our stockholders. We believe that our sources of liquidity and capital will be sufficient to finance our continued operations and growth strategy for at least the next twelve months.

The following table shows summary cash flows information for the thirteen weeks ended March 28, 2020 and March 30, 2019 (in thousands):

	Thirteen Weeks Ended	
	March 28, 2020	**March 30, 2019**
Net cash provided by (used in):		
Operating activities	$ 12,471	$ 9,598
Investing activities	(1,579)	(641)
Financing activities	12,253	(3,246)
Net change in cash and cash equivalents	$ 23,145	$ 5,711

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 $12.5 million in the thirteen weeks ended March 28, 2020, an increase of $2.9 million from cash provided by operations of $9.6 million in the thirteen weeks ended March 30, 2019. The increase was primarily due to an increase in net income as a result of an increase in sales. This increase was offset slightly by the timing of changes in working capital.

Investing activities. Our net cash used in investing activities was $1.6 million in the thirteen weeks ended March 28, 2020, an increase of $0.9 million from cash used in investing activities of $0.6 million in the thirteen weeks ended March 30, 2019. The increase was due to capital expenditures incurred in the opening of a new company-owned restaurant.

Financing activities. Our net cash provided by financing activities was $12.3 million in the thirteen weeks ended March 28, 2020, an increase of $15.5 million from cash used in financing activities of $3.2 million in 2019. The increase was primarily due to additional borrowings under our Variable Funding Notes (as defined below) of $16.0 million in the thirteen weeks ended March 28, 2020, partially offset by an increase in the amount of our regular dividend and a principal payment made in the thirteen weeks ended March 28, 2020.

Securitized financing facility. On November 14, 2018, we entered into a securitized financing facility comprised of $320 million of Series 2018-1 4.97% Fixed Rate Senior Secured Notes, Class A-2 (the "Class A-2 Notes") as well as a variable funding note facility of Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes" and, together with the Class A-2 Notes, the "Notes"), which allow us to borrow up to $20 million as needed on a revolving basis and to issue letters of credit. As of March 28, 2020, we had $16.0 million outstanding borrowings under the Variable Funding Notes, with $4.0 million letters of credit outstanding, and $316.8 million outstanding under the Class A-2 Notes. There were no amounts drawn down on the letters of credit as of March 28, 2020.

The Class A-2 Notes are generally subject to 1% annual amortization, bear interest at a fixed rate of 4.97% per annum, and have an anticipated repayment date of December 2023. During the first fiscal quarter of 2020, the Company had a leverage ratio under the Class A-2 Notes of less than 5.0x. Per the terms of the Company's debt agreements, principal payments are not due until the repayment date as long as the Company maintains a leverage ratio of less than 5.0x. As such, the Company ceased principal payments beginning in the second quarter of 2020.

Borrowings under the Variable Funding Notes accrue interest at a variable rate based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the London interbank offered rate for U.S. Dollars or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, in each case plus any applicable margin, as more fully set forth in the Variable Funding Note Purchase Agreement, dated November 14, 2018. Interest payments on the Notes are payable on a quarterly basis.

Dividends. We paid a quarterly cash dividend of $0.11 per share of common stock, aggregating $3.2 million, during the first quarter of 2020. On May 5, 2020, the Company's Board of Directors approved a dividend of $0.11 per share, to be paid on June 25, 2020 to stockholders of record as of June 18, 2020, totaling approximately $3.2 million.

We do not currently expect the restrictions in our debt instruments to impact our ability to make regularly quarterly dividends pursuant to our quarterly dividend program. However, any future declarations of dividends, as well as the amount and timing of such dividends, are subject to capital availability and the discretion of our Board of Directors, which must evaluate, among other things, whether cash dividends are in the best interest of our stockholders.

Contractual Obligations

There have been no material changes to our contractual obligations disclosed in the contractual obligations section of Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report. For additional information regarding our long-term debt and our commitments and contingencies, see Note 10, *Debt Obligations* and Note 12, *Commitments and Contingencies* in the Annual Report and the corresponding Notes 6 and 7 in the notes to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

Off-Balance Sheet Arrangements

The Company is required to provide standby letters of credit related to our securitized financing facility. Although the letters of credit are off-balance sheet, the obligations to which they relate are reflected as liabilities in the Consolidated Balance Sheet. Outstanding letters of credit totaled $4.0 million at March 28, 2020. We do not believe that these arrangements have or are likely to have a material effect on our results of operations, financial condition, revenues or expenses, capital expenditures or liquidity.

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 Annual Report, and there have been no material changes since the filing of our Annual Report.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

Special Note Regarding Forward-Looking Statements

This report includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and are intended to come within the safe harbor protection provided by those sections. These statements, which involve risks and uncertainties, relate to the discussion of our business strategies and our expectations concerning future operations, margins, profitability, trends, liquidity and capital resources and to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements can generally by identified by the use of forward-looking terminology, including the terms "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "think," "estimate," "seek," "expect," "predict," "could," "project," "potential" or, in each case, their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties, risks, and factors relating to our operations and business environments, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by these forward-looking statements.

Such risks and other factors include those listed in Item 1A., "Risk Factors," and elsewhere in this report, including the following factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements:

- the impacts of the novel coronavirus (COVID-19) pandemic on our business;
- the response of governments and of our Company to the pandemic;
- our ability to effectively implement our growth strategy;
- risks associated with changes in food and supply costs;
- our relationships with, and the performance of, our franchisees, as well as actions by franchisees that could harm our business;
- our ability to identify, recruit and contract with a sufficient number of qualified franchisees;
- risks associated with food safety, food-borne illness and other health concerns;
- our ability to successfully expand into new markets;
- our ability to effectively compete within our industry;
- risks associated with interruptions in our supply chain, including availability of food products;
- risks associated with our future performance and operating results falling below the expectations of securities analysts and investors;
- risks associated with data privacy, cyber security, and the use and implementation of information technology;
- risks associated with our increasing dependence on digital commerce platforms and third-party delivery service providers;
- uncertainty in the law with respect to the assignment of liabilities in the franchise business model;
- risks associated with litigation against us or our franchisees;
- our ability to successfully advertise and market our business;
- risks associated with changes in customer preferences and perceptions;

- our ability to comply with government regulations relating to food products and franchising, including increased costs associated with new or changing regulations;
- risks associated with the geographic concentration of our business;
- our ability to maintain adequate insurance coverage for our business;
- risks associated with damage to our reputation or lack of acceptance of our brand in existing or new markets;
- risks associated with our expansion into international markets and foreign government restrictions on operations;
- our ability to comply with the terms of our securitized debt financing and generate sufficient cash flows to satisfy our significant debt service obligations thereunder;
- our ability to attract and retain our executive officers and other key employees; and
- our ability to protect our intellectual property, including trademarks and trade secrets.

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 and Part II, Item 1A in this Quarterly Report. When considering forward-looking statements in this report or that we make in other reports or statements, you should keep in mind the cautionary statements in this report and future reports we file with the SEC. New risks and uncertainties arise from time to time, and we cannot predict when they may arise or how they may affect us. Except as required by law, 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 fresh bone-in chicken wings, so we are subject to prevailing market conditions. Bone-in chicken wings accounted for approximately 27.4% and 28.0% of our company-owned restaurant cost of sales during the thirteen weeks ended March 28, 2020 and March 30, 2019, respectively. A hypothetical 10% increase in the bone-in chicken wing costs would have increased costs of sales by approximately $0.3 million during the thirteen weeks ended March 28, 2020. 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 arrangements with our suppliers, these arrangements cover our physical commodity needs, are not net-settled, and are accounted for as normal purchases.

Interest Rate Risk. As discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation" under "Liquidity and Capital Resources," the Company entered into a securitized financing facility on November 14, 2018, issuing $320 million of Class A-2 Notes. The proceeds from the Class A-2 Notes were used to repay all amounts outstanding on the 2018 Facility, to pay transaction costs, for general corporate purposes, and for the payment of a special dividend. Concurrently, the Company issued the Variable Funding Notes, which permit borrowings of up to $20 million and may be used to issue letters of credit. The final legal maturity date of the Notes is in 2048; however, the anticipated repayment date of the Notes is December 2023.

The Company is exposed to interest rate risk on borrowings under the Variable Funding Notes. As of March 28, 2020, the Company had borrowings of $16.0 million under the Variable Funding Notes and $4.0 million of letters of credit outstanding. A hypothetical increase or decrease of 100 basis points on our existing variable rate under the Variable Funding Notes would not materially affect our results of operations or cash flows.

The majority of our long-term debt consisted of the $316.8 million outstanding under the Class A-2 Notes as of March 28, 2020 (excluding unamortized debt issuance costs and the effect of purchase accounting adjustments). The Company's fixed rate securitized debt exposes the Company to changes in market interest rates reflected in the fair value of the debt and to the risk that the Company may need to refinance maturing debt with new debt at a higher rate.

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 March 28, 2020, pursuant to Rule 13a-15 under 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 the rules and forms of the Securities and Exchange Commission, 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 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. To our knowledge, there are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

Item 1A. Risk Factors

The Company is providing this additional risk factor to supplement the risk factors contained in Item 1A. of our Annual Report.

Public health epidemics or outbreaks, such as COVID-19, could materially and adversely impact our business.

The pandemic novel coronavirus (COVID-19) outbreak, federal, state and local government responses to COVID-19 and our Company's response to the outbreak have all disrupted and will continue to disrupt our business. In the United States and throughout much of the world, individuals are being encouraged to practice social distancing, restricted from gathering in groups and, in some areas, placed on complete restriction from non-essential movements outside of their homes. In response to the COVID-19 outbreak and these changing conditions, we closed the dining rooms in all of our domestic and in some of our international restaurants and transitioned to largely off-premise dining through our take-out and, through third-party providers, delivery offerings. The COVID-19 outbreak and these responses to date have affected and will continue to adversely affect our guest traffic, international sales, and operating costs and we cannot predict how long the outbreak will last or what other government responses may occur.

The COVID-19 outbreak has also adversely affected our ability to open new restaurants. Social distancing and stay-at-home or shelter-in-place orders and mandates as well as construction restrictions related to COVID-19 have caused a slowdown in planned openings and in construction related processes such as onsite inspections, permitting, and construction completion in some jurisdictions. These changes may adversely affect our ability to grow our business, particularly if these construction pauses are in place for a significant amount of time.

A substantial portion of our revenue comes from royalties generated by our franchised restaurants. We anticipate that franchise royalties will continue to represent the substantial majority of our revenue in the future. During the thirteen weeks ended March 28, 2020, our franchise segment accounted for 72.5% and our company segment accounted for 27.5% of our consolidated revenues. Accordingly, we are reliant on the performance of our franchisees in successfully operating their restaurants and paying royalties to us on a timely basis. Disruptions in franchisees' operations for a significant amount of time due to COVID-19-related social distancing, or other movement restricting policies put in place in an effort to slow the spread of COVID-19, could impact our ability to collect royalty payments from our franchisees or result in our providing payment relief or other forms of support to franchisees, and may materially adversely affect our business and results of operations.

Our and our franchisees' restaurant operations could be further disrupted if any employees are diagnosed with COVID-19 since this could require us or our franchisees to quarantine some or all of a restaurant's employees and disinfect restaurant facilities. If a significant percentage of the workforce is unable to work, whether because of illness, quarantine, limitations on travel, or other government restrictions in connection with COVID-19, our and our franchisees' operations may be negatively impacted, potentially adversely affecting our liquidity, financial condition or results of operations. In addition, any report or publicity linking our facilities to instances of coronavirus exposure could adversely impact our brand and reputation as well as our revenue and profits. Even instances of coronavirus exposure occurring solely at restaurants of our competitors could result in negative publicity about the restaurant industry generally and adversely impact our business.

In addition, our suppliers could be adversely impacted by the COVID-19 outbreak. If our suppliers' employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, we could face shortages of food items or other supplies at our or our franchisees' restaurants, and our and our franchisees' operations and sales could be adversely impacted by such supply interruptions.

If the business interruptions caused by COVID-19 last longer than we expect, we or our franchisees may need to seek other sources of liquidity. The COVID-19 outbreak is adversely affecting the availability of liquidity generally in the credit markets, and there can be no guarantee that additional liquidity, whether through the credit markets or government programs, will be readily available or available on favorable terms, especially the longer the COVID-19 outbreak lasts.

The ultimate impact of the COVID-19 pandemic on the Company's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced customer traffic, and reduced operations. Management expects that both of its business segments, across all of its geographies, will be impacted to some degree, but the significance of the impact of the COVID-19 outbreak on the Company's business and the duration for which it may have an impact cannot be determined at this time.

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 Company's Registration Statement 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 Company's Annual Report on Form 10-K (File No. 001-37425) for the fiscal year ended December 30, 2017 and incorporated herein by reference.
10.1*†	Amended and Restated Form of Performance-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan.
10.2*†	Amended and Restated Form of Option Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan.
10.3†	Letter Agreement between Wingstop Inc. and Larry Kruguer, dated January 14, 2020, filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K (File No. 001-37425) for the fiscal year ended December 28, 2019 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*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101 SCH*	Inline XBRL Taxonomy Extension Schema Document
101 CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101 LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101 PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

* Filed herewith.
** Furnished, not filed.
† Indicates management agreement.

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 6, 2020	By: /s/ Charles R. Morrison *Chairman and Chief Executive Officer* (Principal Executive Officer)
Date: May 6, 2020	By: /s/ Michael J. Skipworth *Chief Financial Officer* (Principal Financial and Accounting Officer)

WINGSTOP INC.
2015 OMNIBUS INCENTIVE COMPENSATION PLAN

PERFORMANCE–BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Performance-Based Restricted Stock Unit Award Agreement (this "**Award Agreement**") evidences the grant by Wingstop Inc. (the "**Company**"), in accordance with the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan (the "**Plan**"), of a target number of performance-based restricted stock units ("**PSUs**") equal to [ ] PSUs (the "**Target PSUs**"), with a maximum of [ ] PSUs (the "**Maximum PSUs**"), subject to the restrictions set forth in this Award Agreement and the Plan (the "**Award**"), to [_______________] (the "**Grantee**"), effective as of [_____________], 2020 (the "**Grant Date**").

WINGSTOP INC.

By: ______________________

Name: ______________________

Title: ______________________

TERMS AND CONDITIONS

§1 Plan. The Award is subject to all of the terms and conditions set forth in the Plan and this Award Agreement, and all capitalized terms not otherwise defined in this Award Agreement have the respective meaning of such terms as defined in the Plan. If a determination is made that any term or condition set forth in this Award Agreement is inconsistent with the Plan, the Plan will control. The Grantee acknowledges that a copy of the Plan has been made available for his or her review by the Company and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions thereof.

§2 Grant of PSUs. Each PSU represents the right to receive one share of $0.01 par value Common Stock of the Company (a "**Share**"), subject to the terms and conditions set forth in this Award Agreement and the Plan. The number of PSUs actually payable under this Award Agreement depends on the extent to which the Company attains the performance conditions, described in Exhibit A of this Award Agreement, and whether the Grantee satisfies the service vesting condition, described in Section 4 of this Award Agreement. The PSUs shall be credited to a separate account maintained for the Grantee on the books and records of the Company (the "**Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

§3 Consideration. The grant of PSUs is made in consideration of the services to be rendered by the Grantee to the Company.

§4 Performance Conditions & Service Vesting Conditions. The number of PSUs that may be earned by the Grantee will be based on the achievement of the performance condition(s) and the satisfaction of the service vesting conditions, each as set forth on Exhibit A, attached hereto, during the three (3) year performance period beginning January 1, 2020 and ending December 31, 2022 (the "**Performance Period**").

§5 Dividend Equivalents. If, prior to the date PSUs are settled pursuant to Section 6, the Company declares a cash or stock dividend with respect to Shares, then, on the payment date of the dividend, the Grantee's Account shall be credited with Dividend Equivalents in an amount equal to the dividends that would have been paid to the Grantee if one Share had been issued on the Grant Date for each PSU granted to the Grantee as set forth in this Award Agreement. In connection with the Dividend Equivalents, any cash dividend credited to the Grantee's Account shall be adjusted with interest at a rate and subject to such terms as determined by the Committee. To the extent a PSU to which such Dividend Equivalent relates becomes a Vested PSU (as defined in Exhibit A), the Dividend Equivalents and interest, if any, credited to the Grantee's Account shall be distributed in cash or, at the discretion of the Committee, in Shares having a Fair Market Value equal to the amount of the Dividend Equivalents and interest, if any, on the same date that such Vested PSUs are settled pursuant to Section 6, and subject to the same vesting, forfeiture, payment, termination and other terms, conditions and restrictions as the original PSUs to which they relate. Any Dividend Equivalents payable under the Plan and this Award Agreement shall be treated as separate payments from the underlying PSUs for purposes of Section 409A of the Code ("**Code Section 409A**").

§6 Settlement.

(a) Payment of the Grantee's Vested PSUs, the number of which are determined pursuant to Exhibit A, shall be settled in Shares as soon as practicable following the applicable Vesting Date (as defined in Exhibit A) on which such PSUs become vested in accordance with Exhibit A (and in no event later than March 15 of the calendar year following the calendar year in which such Vesting Date occurs) by delivering to the Grantee one Share for each Vested PSU. Upon receipt by the Grantee of a Share in settlement of a Vested PSU, such PSU shall be cancelled.

(b) Notwithstanding Section 6(a), if the Grantee is deemed a "specified employee" within the meaning of Code Section 409A, as determined by the Committee, at a time when the Grantee becomes eligible for settlement of the Vested PSUs upon his "separation from service" within the meaning of Code Section 409A, then to the extent such Vested PSUs constitute deferred compensation within the meaning of Code Section 409A, such settlement will be delayed until the earlier of: (i) the date that is six (6) months following the Grantee's separation from service and (ii) the Grantee's death.

§7 Delivery. The Company will deliver a properly issued certificate for any Shares received in settlement of PSUs pursuant to Section 6 as soon as practicable after settlement (or otherwise register such Shares in the name of the Grantee), and such delivery (or registration in the name of the Grantee) shall discharge the Company of all of its duties and responsibilities with respect to the PSUs under this Award Agreement.

§8 Nontransferable. Subject to any exceptions set forth in this Award Agreement or the Plan, until such time as the PSUs are settled in accordance with Section 6, the PSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the PSUs or the rights relating thereto shall be wholly ineffective.

§9 No Right to Continue Service Neither the Plan, this Award Agreement, the Award, nor any related material shall give the Grantee the right to continue in employment by Company or shall adversely affect the right of the Company to terminate the Grantee's employment with or without Cause at any time.

§10 Stockholder Status. The Grantee shall have no rights as a stockholder with respect to the PSUs until the Grantee receives a distribution of Share in settlement of Vested PSUs in accordance with Section 6, and such Shares have been duly issued and delivered to (or registered in the name of) the Grantee.

§11 Securities Registration. As a condition to the delivery of the certificate for any Shares purchased pursuant to the settlement of the PSUs pursuan to Section 6 (or the registration of such Shares in the name of the Grantee), the Grantee shall, if so requested by the Company, hold such Shares for investmen and not with a view of resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect.

§12 Compliance with Law. The issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicabl requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. Nc Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securitie and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

§13 Other Agreements. As a condition to the delivery of the Shares received in settlement of PSUs pursuant toSection 6, the Grantee shall enter into such additional confidentiality, covenant not to compete, non-disparagement and non-solicitation, employee retention, and other agreements as the Company deems appropriate, all in a form acceptable to the Board. The Grantee acknowledges that his receipt of the Award and participation in the Plan is voluntary on his part and has not been induced by a promise of employment or continued employment.

§14 Withholding. The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid tc the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the PSUs and to take all such other action as the Committee deem necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the Shares otherwise issuable or deliverable to the Grantee as a resul of the vesting of the PSUs;

(c) delivering to the Company previously owned and unencumbered shares of Common Stock; or

(d) any combination of (a), (b), or (c).

In the event that any PSUs vest during a closed trading window under the Company's Insider Trading Compliance Policy, the Company shall satisfy any federa state, or local tax withholding obligation in connection therewith by the method specified in Section 14(b).

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the PSUs or the subsequent sale of any Shares, and (b) does not commit to structure the PSUs to reduce or eliminate the Grantee's liability for Tax Related Items.

§15 No Challenge. Notwithstanding any provision of this Award Agreement to the contrary, the Grantee covenants and agrees that he or she will not (a) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Award Agreement, or (b) raise, as a defense, the validity or enforceability of any provision of this Award Agreement, in any claim, lawsuit, arbitration or other proceeding. Should the Grantee violate any aspect of this Section 15, the Grantee agrees (i) that, in the case of a breach of clause (a) of the preceding sentence, such claim, lawsuit, demand for arbitration, or other proceeding shall be summarily withdrawn and/or dismissed; (ii) that the Grantee will pay all costs and damages incurred by the Company in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees and expenses), or such defense, as the case may be; (iii) that the Grantee will immediately forfeit all unvested PSUs; and (iv) that the Grantee will immediately sell to the Compan all Shares received upon settlement of vested PSUs at a price equal to the aggregate purchase price, if any, paid by the Grantee for such Shares, or the curren fair market value of such Shares (as determined in the sole discretion of the Company), whichever is less.

§16 Governing Law. The Plan and this Award Agreement shall be governed by the laws of the State of Delaware.

§17 Binding Effect. This Award Agreement shall be binding upon the Company and the Grantee and their respective heirs, executors, administrators and successors.

§18 Clawback Policy. This Award Agreement and the PSUs granted thereunder shall be subject to the terms and conditions of the Company's compensation recovery (or "clawback") policy, as in effect from time to time, and such policy is hereby incorporated into this Award Agreement by reference.

§19 Code Section 409A. This Award Agreement and this award of PSUs is intended to comply with or be exempt from the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time and shall be interpreted by the Committee to effect such intent. This Section 19 does not create any obligation on the part of the Company to modify the terms of this Award Agreement or the Plan and does not guarantee that the PSUs or the delivery of Shares upon settlement of the PSUs will not be subject to taxes, interest and penalties or any other adverse tax consequences unde Code Section 409A. The Company will have no liability to the Grantee or any other party if the PSUs, the delivery of Shares upon settlement of the PSUs or a other payment hereunder that is intended to be exempt from, or compliant with, Code Section 409A, is not so exempt or compliant or for any action taken by the Committee with respect thereto. Notwithstanding any other provision of this Award Agreement, no settlement of Vested PSUs shall be made as a result of the Grantee's Termination unless such Termination constitutes a "separation from service" within the meaning of Code Section 409A and that the payments otherwise to be made upon a Termination and the benefits otherwise to be provided upon a Termination shall only be made or provided at the time of the related "separation from service".

§20 Headings and Sections. The headings contained in this Award Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Agreement. Any references to sections (§) in this Award Agreement shall be to sections (§) of this Award Agreement, unless otherwise expressly stated as part of such reference.

* * * * * * * * *

Accepted and agreed to:

____
Grantee

____
Date

WINGSTOP INC.
2015 OMNIBUS INCENTIVE COMPENSATION PLAN

STOCK OPTION AWARD AGREEMENT

This Stock Option Award Agreement (this "**Award Agreement**") evidences the grant by Wingstop Inc. (the "**Company**"), in accordance with the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan (the "**Plan**"), of a stock option (the "**Option**") to [_________________] (the "**Participant**") to purchase from the Company up to [_________________ (______)] Shares of Common Stock of the Company at an "**Option Price**" equal to $[________] per Share (being the Fair Market Value per Share on the Grant Date).The Option is granted effective as of [_______________, 20___] (the "**Grant Date**"). The Option is a Nonqualified Stock Option that is intended to comply with the provisions governing nonqualified stock options under the final Treasury Regulations issued on April 17, 2007, in order to exempt this Option from application of Section 409A of the Code, and is not qualified as an Incentive Stock Option under Section 422 of the Code.

WINGSTOP INC.

By: ________________________________
Name: ________________________________
Title: ________________________________

TERMS AND CONDITIONS

§1 Plan. The Option is subject to all of the terms and conditions set forth in the Plan and this Award Agreement, and all capitalized terms not otherwise defined in this Award Agreement have the respective meaning of such terms as defined in the Plan. If a determination is made that any term or condition set forth in this Award Agreement is inconsistent with the Plan, the Plan will control. The Participant acknowledges that a copy of the Plan has been made available for his or her review by the Company and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Option subject to all the terms and provisions thereof.

§2 Service Based Vesting; Exercise Rights. Except as specifically provided in this Award Agreement and subject to certain restrictions and conditions set forth in the Plan, the Option shall vest and become exercisable as outlined in Schedule I, Section 1, attached hereto.

§3 Term; Forfeiture. Except as otherwise provided in this Award Agreement, to the extent the Option is not vested on the date of the Participant's Termination, such unvested portion of the Option shall expire and be forfeited on that date. The vested portion of the Option shall expire and be forfeited and the Option Period (as defined below) shall end upon the earliest occurrence of (i) the Expiration Date (as defined below), or (ii) the date specified in Schedule I, Section 2, attached hereto.

§4 Life of Option. The "**Option Period**" of the Option shall commence on the Grant Date and shall expire on the tenth (10th) anniversary of the Grant Date (the "**Expiration Date**"), unless terminated earlier in accordance with Section 3 above. This Option shall expire and shall not be exercisable for any reason on or after the Expiration Date.

§5 Who May Exercise. Subject to the terms and conditions set forth in Sections 2 and 3 above, during the lifetime of the Participant, the Option may be exercised only by the Participant, or by the Participant's guardian or personal or legal representative. If the Participant's Termination is due to his or her death prior to the dates specified in Section 3 hereof, and the Participant has not exercised the vested portion of the Option as of the date of death, the following persons may exercise the vested portion of the Option on behalf of the Participant at any time prior to the earliest of the dates specified in Section 3 hereof: the personal representative of the Participant's estate or the person who acquired the right to exercise the Option by bequest or inheritance by reason of the death of the Participant, provided that the Option shall remain subject to the other terms of this Award Agreement, the Plan, and all applicable laws, rules, and regulations.

§6 Method of Exercise of Option Subject to such administrative regulations as the Committee may from time to time adopt, the Option may be exercised in whole or in part (to the extent the Option is otherwise vested and exercisable under Section 2) on any normal business day of the Company by (a) delivering this Award Agreement to the Company, together with written notice of the exercise of the Option in the form attached hereto as Exhibit A (the "**Exercise Notice**"), and (b) simultaneously paying to the Company the aggregate Option Price of the Shares to be purchased (plus any withholding taxes due with respect to such exercise). The Option may be exercised only with respect to a full Share, and no fractional Share shall be issued.On the exercise date, the Participant shall deliver to the Company consideration with a value equal to the aggregate Option Price of the Shares to be purchased, payable as follows: (i) by certified or bank check or such other instrument as the Committee may accept, payable to the Company; or (ii) if approved by the Committee, and subject to any such terms, conditions and limitations as the Committee may prescribe and to the extent permitted by applicable law, payment of the Option Price, in full or in part, as follows: (A) in the form of unrestricted and unencumbered Shares (by actual delivery of such Shares or by attestation) already owned by the Participant, or by the Participant and his or her spouse jointly (based on the Fair Market Value of the Common Stock on the date the Option is exercised); (B) by delivering a properly executed Exercise Notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the Option Price and the amount of any withholding taxes due with respect to such exercise; (C) by requesting the Committee to withhold a number of Shares otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value on the date of exercise equal to the product of: (1) the Option Price multiplied by (2) the number of Shares in respect of which the Option shall have been exercised; or (D) by any other method approved or accepted by the Committee in its discretion. Unless otherwise determined by the Committee, all payments under all of the methods described above shall be paid in United States dollars.

§7 Delivery. Subject to any governing rules or regulations, as soon as practicable after receipt of a written Exercise Notice and full payment of the Option Price in accordance with the provisions of Section 6 and satisfaction of tax obligations in accordance with Section 14 and Article XVII of the Plan, and subject to Section 20.9 of the Plan, the Company will deliver a properly issued certificate for any Shares purchased pursuant to the exercise of the Option as soon as practicable after such exercise (or otherwise register such Shares in the name of Participant), and such delivery (or registration in the name of the Participant) shall discharge the Company of all of its duties and responsibilities with respect to the Option under this Award Agreement.

§8 Nontransferable. Except as expressly authorized in writing by the Board, no rights granted under this Award Agreement or with respect to the Option shall be transferable by the Participant other than by will or by the laws of descent and distribution. The person or persons, if any, to whom the Option is transferred by will or by the laws of descent and distribution or through a written Board authorization shall be treated after such transfer the same as the Participant under this Award Agreement. Any attempt to sell, transfer, pledge, assign, or otherwise dispose of the Option contrary to the provisions hereof, or the levy of any execution, attachment, or similar process upon the Option shall be null and void and wholly ineffective.

§9 No Right to Continue Service Neither the Plan, this Award Agreement, the Option, nor any related material shall give the Participant the right to continue in employment or service by the Company or any Subsidiary or Affiliate or shall adversely affect the right of the Company or any Subsidiary or Affiliate to terminate the Participant's employment or service with or without Cause at any time.

§10 Stockholder Status. The Participant shall have no rights as a stockholder with respect to any Shares subject to the Option until such Shares have been duly issued and delivered to (or registered in the name of) the Participant, and, except as expressly set forth in the Plan, no adjustment shall be made for dividends of any kind or description whatsoever or for distributions of other rights of any kind or description whatsoever respecting such Shares.

§11 Securities Registration. As a condition to the delivery of the certificate for any Shares purchased pursuant to the exercise of the Option (or the registration of such Shares in the name of the Participant), the Participant shall, if so requested by the Company, hold such Shares for investment and not with a view of resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect.

§12 Compliance with Law. The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Participant understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance. If any change in circumstances after the grant of the Option would create a substantial risk for the Company that the issuance or transfer of any Shares under this Award Agreement to the Participant at the time the Participant tenders any payment to exercise the Option would violate any applicable law or regulation, the Company at that time shall (a) take such action as the Board deems appropriate and permissible under such law or regulation either (i) to continue to maintain the status of the Option as outstanding until the Participant can exercise the Option without any substantial risk of such a violation, or (ii) to compensate the Participant for the cancellation of the Option and thereafter to cancel the Option, and (b) refund any payment made by the Participant to exercise the Option. Any determination in this connection by the Company shall be final, binding, and conclusive.

§13 Other Agreements. The Participant shall (as a condition to the exercise of the Option) enter into such additional confidentiality, covenant not to compete, non-disparagement and non-solicitation, employee retention, and other agreements as the Company deems appropriate, all in a form acceptable to the Board. The certificate(s) evidencing the Shares may include one or more legends that reference or describe the conditions upon exercise referenced in this Section 13. The Participant acknowledges that his or her receipt of the Option and participation in the Plan is voluntary on his or her part and has not been induced by a promise of employment or continued employment.

§14 Withholding. The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required withholding taxes in respect of the Option and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Participant to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

a. tendering a cash payment;

b. authorizing the Company to withhold shares of Common Stock from the Shares otherwise issuable or deliverable to the Participant as a result o exercising the Option;

c. delivering to the Company previously owned and unencumbered shares of Common Stock; or

d. any combination of (a), (b), or (c).

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and the Company (i) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or exercise of the Option or the subsequent sale of any Shares, and (ii does not commit to structure the Option to reduce or eliminate the Participant's liability for Tax-Related Items.

§15 No Challenge. Notwithstanding any provision of this Award Agreement to the contrary, the Participant covenants and agrees that he or she will not (a) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Award Agreement, or (b) raise, as a defense, the validity or enforceability of any provision of this Award Agreement, in any claim, lawsuit, arbitration or other proceeding. Should the Participant violate any aspect of this Section 15, the Participant agrees (i) that, in the case of a breach of clause (a) of the preceding sentence, such claim, lawsuit, demand for arbitration, or other proceeding shall be summarily withdrawn and/or dismissed; (ii) that the Participant will pay all costs and damages incurred by the Company and its Affiliates in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees and expenses), or such defense, as the case may be; (iii) that the Participant will immediately forfeit all unexercised Options, whether vested or unvested; and (iv) that the Participant will immediately sell to the Company all Shares acquired pursuant to the exercise of this Option at a price equal to the aggregate Option Pric paid for such Shares, or the current fair market value of such Shares (as determined in the sole discretion of the Company), whichever is less.

§16 Governing Law. The Plan and this Award Agreement shall be governed by the laws of the State of Delaware.

§17 Binding Effect. This Award Agreement shall be binding upon the Company and the Participant and their respective heirs, executors, administrators and successors.

§18 Clawback Policy. This Award Agreement, the Option and the Shares that may be acquired thereunder shall be subject to the terms and conditions of the Company's compensation recovery (or "clawback") policy, as in effect from time to time, and such policy is hereby incorporated into this Award Agreement by reference.

§19 Headings and Sections. The headings contained in this Award Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Agreement. Any references to sections (§) in this Award Agreement shall be to sections (§) of this Award Agreement, unless otherwise expressly stated as part of such reference.

* * * * * * * * *

Accepted and agreed to:

Participant

Date

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 6, 2020

By: /s/ Charles R. Morrison
Chairman 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 J. Skipworth, 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 6, 2020

By: /s/ Michael J. Skipworth

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 on Form 10-Q for the period ended March 28, 2020 of Wingstop Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Morrison, Chairman 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; 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 6, 2020

By: /s/ Charles R. Morrison

Chairman and Chief Executive Officer

(Principal Executive Officer)

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 on Form 10-Q for the period ended March 28, 2020 of Wingstop Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Skipworth, 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; 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 6, 2020

By: /s/ Michael J. Skipworth
Chief Financial Officer
(Principal Financial and Accounting Officer)