# 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 June 27, 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 July 28, 2020 there were 29,598,958 shares of common stock outstanding.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

| | June 27, 2020 (Unaudited) | December 28, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 45,766 | $ 12,849 |
| Restricted cash | 4,132 | 4,790 |
| Accounts receivable, net | 5,580 | 5,175 |
| Prepaid expenses and other current assets | 4,118 | 2,449 |
| Advertising fund assets, restricted | 7,860 | 4,927 |
| Total current assets | 67,456 | 30,190 |
| Property and equipment, net | 27,220 | 27,842 |
| Goodwill | 50,160 | 50,188 |
| Trademarks | 32,700 | 32,700 |
| Customer relationships, net | 12,255 | 12,910 |
| Other non-current assets | 11,323 | 12,283 |
| **Total assets** | **$ 201,114** | **$ 166,113** |
| **Liabilities and stockholders' deficit** | | |
| Current liabilities | | |
| Accounts payable | $ 2,890 | $ 3,348 |
| Other current liabilities | 20,829 | 21,454 |
| Current portion of debt | 16,000 | 3,200 |
| Advertising fund liabilities | 7,860 | 4,927 |
| Total current liabilities | 47,579 | 32,929 |
| Long-term debt, net | 310,846 | 307,669 |
| Deferred revenues, net of current | 22,280 | 22,343 |
| Deferred income tax liabilities, net | 6,043 | 4,485 |
| Other non-current liabilities | 7,038 | 8,115 |
| Total liabilities | 393,786 | 375,541 |
| Commitments and contingencies (see Note 7) | | |
| Stockholders' deficit | | |
| Common stock, $0.01 par value; 100,000,000 shares authorized; 29,596,347 and 29,457,228 shares issued and outstanding as of June 27, 2020 and December 28, 2019, respectively | 296 | 295 |
| Additional paid-in-capital | 43 | 552 |
| Accumulated deficit | (193,011) | (210,275) |
| Total stockholders' deficit | (192,672) | (209,428) |
| **Total liabilities and stockholders' deficit** | **$ 201,114** | **$ 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 | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | June 27, 2020 | June 29, 2019 | June 27, 2020 | June 29, 2019 |
| Revenue: | | | | |
| Royalty revenue, franchise fees and other | $ 27,858 | $ 21,187 | $ 52,057 | $ 42,515 |
| Advertising fees and related income | 19,923 | 13,487 | 35,937 | 26,697 |
| Company-owned restaurant sales | 18,324 | 13,888 | 33,547 | 27,403 |
| Total revenue | 66,105 | 48,562 | 121,541 | 96,615 |
| Costs and expenses: | | | | |
| Cost of sales (1) | 13,387 | 10,573 | 24,563 | 20,303 |
| Advertising expenses | 18,589 | 12,973 | 33,513 | 25,707 |
| Selling, general and administrative | 13,194 | 13,394 | 27,504 | 25,936 |
| Depreciation and amortization | 1,398 | 1,335 | 2,953 | 2,611 |
| Total costs and expenses | 46,568 | 38,275 | 88,533 | 74,557 |
| Operating income | 19,537 | 10,287 | 33,008 | 22,058 |
| Interest expense, net | 4,214 | 4,299 | 8,359 | 8,709 |
| Income before income tax expense | 15,323 | 5,988 | 24,649 | 13,349 |
| Income tax expense | 3,784 | 1,070 | 5,014 | 1,825 |
| Net income | $ 11,539 | $ 4,918 | $ 19,635 | $ 11,524 |
| | | | | |
| Earnings per share | | | | |
| Basic | $ 0.39 | $ 0.17 | $ 0.66 | $ 0.39 |
| Diluted | $ 0.39 | $ 0.17 | $ 0.66 | $ 0.39 |
| | | | | |
| Weighted average shares outstanding | | | | |
| Basic | 29,588 | 29,418 | 29,538 | 29,377 |
| Diluted | 29,793 | 29,667 | 29,751 | 29,650 |
| | | | | |
| Dividends per share | $ 0.11 | $ 0.09 | $ 0.22 | $ 0.18 |

(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 Twenty-Six Weeks Ended June 29, 2019 and June 27, 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) |
| Net income | — | — | — | 4,918 | 4,918 |
| Shares issued under stock plans | 45,778 | 1 | 147 | — | 148 |
| Tax payments for restricted stock upon vesting | (2,456) | — | — | (226) | (226) |
| Stock-based compensation expense | — | — | 1,928 | — | 1,928 |
| Dividends paid | — | — | (1,389) | (1,269) | (2,658) |
| Balance at June 29, 2019 | 29,442,728 | $ 295 | $ 892 | $ (217,555) | $ (216,368) |

| | 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) |
| Net income | — | — | — | 11,539 | 11,539 |
| Shares issued under stock plans | 13,057 | — | 57 | — | 57 |
| Tax payments for restricted stock upon vesting | (104) | — | — | (12) | (12) |
| Stock-based compensation expense | — | — | 1,969 | — | 1,969 |
| Dividends paid | — | — | (2,202) | (1,075) | (3,277) |
| Balance at June 27, 2020 | 29,596,347 | $ 296 | $ 43 | $ (193,011) | $ (192,672) |

See accompanying notes to consolidated financial statements.

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

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | June 27, 2020 | June 29, 2019 |
| Operating activities | | |
| Net income | $ 19,635 | $ 11,524 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 2,953 | 2,611 |
| Deferred income taxes | 1,720 | (687) |
| Stock-based compensation expense | 3,300 | 2,766 |
| Gain on disposal of assets | (2,016) | — |
| Amortization of debt issuance costs | 815 | 775 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (405) | 123 |
| Prepaid expenses and other assets | (652) | (678) |
| Advertising fund assets and liabilities, net | 2,004 | (2,664) |
| Accounts payable and other current liabilities | (675) | (3,503) |
| Deferred revenue | 10 | (258) |
| Other non-current liabilities | (1,077) | 482 |
| Cash provided by operating activities | 25,612 | 10,491 |
| | | |
| Investing activities | | |
| Purchases of property and equipment | (2,670) | (1,442) |
| Proceeds from sales of assets | 2,300 | — |
| Cash used in investing activities | (370) | (1,442) |
| | | |
| Financing activities | | |
| Proceeds from exercise of stock options | 562 | 306 |
| Borrowings of long-term debt | 16,000 | — |
| Repayments of long-term debt | (800) | (800) |
| Tax payments for restricted stock upon vesting | (241) | (1,059) |
| Dividends paid | (6,500) | (5,229) |
| Cash provided by (used in) financing activities | 9,021 | (6,782) |
| | | |
| Net increase in cash, cash equivalents, and restricted cash | 34,263 | 2,267 |
| Cash, cash equivalents, and restricted cash at beginning of period | 21,175 | 20,940 |
| Cash, cash equivalents, and restricted cash at end of period | $ 55,438 | $ 23,207 |

See accompanying notes to consolidated financial statements.

**(1) Basis of Presentation and Update to Significant Accounting Policies**

*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 June 27, 2020, the Company had 1,244 domestic franchised restaurants, and 162 international franchised restaurants. As of June 27, 2020, the Company owned and operated 30 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 June 27, 2020 and December 28, 2019, and operating results are for the thirteen and twenty-six weeks ended June 27, 2020 and June 29, 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 June 27, 2020 and December 28, 2019 were as follows (in thousands):

| | June 27, 2020 | December 28, 2019 |
|---|---|---|
| Cash and cash equivalents | $ 45,766 | $ 12,849 |
| Restricted cash | 4,132 | 4,790 |
| Restricted cash, included in Advertising fund assets, restricted | 5,540 | 3,536 |
| Total cash, cash equivalents, and restricted cash | $ 55,438 | $ 21,175 |

*Segment Reporting*

Historically, the Company had two reporting segments: franchise operations and company restaurant operations. In accordance with Accounting Standards Codification 280 "Segment Reporting", the Company uses the management approach for determining its reportable segments. The management approach is based upon the way management reviews performance and allocates resources. Due to changes in how the Company's chief operating decision maker assesses the Company's performance and allocates resources, the Company reevaluated its operating segments and has determined it has one operating segment and one reporting segment.

*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 shares of common stock 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, as 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 | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | June 27, 2020 | June 29, 2019 | June 27, 2020 | June 29, 2019 |
| Basic weighted average shares outstanding | 29,588 | 29,418 | 29,538 | 29,377 |
| Dilutive shares | 205 | 249 | 213 | 273 |
| Diluted weighted average shares outstanding | 29,793 | 29,667 | 29,751 | 29,650 |

For the thirteen weeks ended June 27, 2020 and June 29, 2019, equity awards representing approximately 1,000 and 6,000 shares, respectively, were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive.

For the twenty-six weeks ended June 27, 2020 and June 29, 2019, equity awards representing approximately 1,000 and 18,000 shares, respectively, were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive.

**(3) Dividends**

In each of the first two quarters of 2020, the Company's Board of Directors declared a quarterly dividend of $0.11 per share of common stock, which, in the aggregate, totaled $6.5 million, or $0.22 per share of common stock, and which was paid during the twenty-six weeks ended June 27, 2020.

Subsequent to the second quarter, on July 28, 2020, the Company's Board of Directors declared a quarterly dividend of $0.14 per share of common stock for stockholders of record as of August 28, 2020, to be paid on September 11, 2020, totaling approximately $4.1 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):

| | | June 27, 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 | $ 314,395 | $ 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 $3.8 million and 24.7%, respectively, for the thirteen weeks ended June 27, 2020, and $1.1 million and 17.9%, respectively, for the thirteen weeks ended June 29, 2019. Income tax expense and the effective tax rate were $5.0 million and 20.3%, respectively, for the twenty-six weeks ended June 27, 2020, and $1.8 million and 13.7%, respectively, for the twenty-six weeks ended June 29, 2019.

Income tax expense for the thirteen and twenty-six weeks ended June 27, 2020 included $0.2 million and $1.5 million, respectively, in tax benefits resulting from the recognition of excess tax benefits from stock-based compensation, as compared to $0.6 million and $1.8 million in tax benefits for the thirteen and twenty-six weeks ended June 29, 2019, respectively.

**(6) Debt Obligations**

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

| | June 27, 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 | (5,954) | (6,731) |
| Total debt | 326,846 | 310,869 |
| Less: current portion of debt | (16,000) | (3,200) |
| Long-term debt, net | $ 310,846 | $ 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, 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 (the "Variable Funding Notes," and together with the Class A-2 Notes, the "Notes").

As of June 27, 2020, we had $316.8 million of Class A-2 Notes outstanding and $16.0 million of 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% during the twenty-six weeks ended June 27, 2020 and are classified as current debt. There were no borrowings outstanding under the Variable Funding Notes as of December 28, 2019. Further, as of June 27, 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 letters of credit as of June 27, 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 on the Class A-2 Notes 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 making 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 award). The Company recognized $3.3 million in stock-based compensation expense for the twenty-six weeks ended June 27, 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 Per Share | Aggregate Intrinsic Value | Weighted Average Remaining Term |
|---|---|---|---|---|
| Outstanding - December 28, 2019 | 134 | $ 5.72 | $ 10,801 | 3.8 |
| Options granted | 67 | 84.41 | | |
| Options exercised | (46) | 12.12 | | |
| Outstanding - June 27, 2020 | 155 | $ 38.02 | $ 15,086 | 5.6 |

The total grant-date fair value of stock options vested during the twenty-six weeks ended June 27, 2020 was $0.2 million. The total intrinsic value of stock options exercised during the twenty-six weeks ended June 27, 2020 was $2.8 million. As of June 27, 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 2.7 years. During the twenty-six weeks ended June 27, 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 Per Share | Performance Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|---|---|
| Outstanding - December 28, 2019 | 82 | $ 52.73 | 169 | $ 55.92 |
| Units granted | 24 | 87.72 | 43 | 84.37 |
| Units vested | (38) | 44.57 | (52) | 41.54 |
| Units canceled | (11) | 63.89 | (8) | 66.04 |
| Outstanding - June 27, 2020 | 57 | $ 70.82 | 152 | $ 68.49 |

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 twenty-six weeks ended June 27, 2020 vest over a three-year service period. As of June 27, 2020, total unrecognized compensation expense related to unvested RSUs was $3.4 million, which is expected to be recognized over a weighted-average period of 1.9 years.

The Company granted 40,529 PSUs during the twenty-six weeks ended June 27, 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 the 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 June 27, 2020, total unrecognized compensation expense related to unvested PSUs was $5.8 million.

**(9) Company-owned Restaurant Transactions**

During the Company's fiscal quarter ended June 27, 2020, the Company sold two company-owned restaurants in the Houston market to an existing franchisee for proceeds of $2.3 million. In connection with the sale of the restaurants, the Company recorded a $2.0 million pre-tax gain on the sale of the related assets and liabilities, which was net of a $28,000 reduction in goodwill. The net gain on these restaurants was recorded in Selling, general and administrative expense on our Consolidated Statements of Operations.

Subsequent to the end of the Company's fiscal quarter ended June 27, 2020, the Company completed the sale of five company-owned restaurants in the Kansas City market to an existing franchisee for proceeds of $2.5 million. The total assets associated with these restaurants held for sale totaled $1.9 million and were included in Prepaid expenses and other current assets on the Consolidated Balance Sheet as of June 27, 2020.

**(10) Revenue from Contracts with Customers**

The following table represents a disaggregation of revenue from contracts with customers for the thirteen and twenty-six weeks ended June 27, 2020 and June 29, 2019 (in thousands):

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | June 27, 2020 | June 29, 2019 | June 27, 2020 | June 29, 2019 |
| Royalty revenue | $ 25,447 | $ 18,437 | $ 46,755 | $ 36,344 |
| Advertising fees and related income | 19,923 | 13,487 | 35,937 | 26,697 |
| Franchise fees | 881 | 939 | 1,763 | 2,521 |

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 and twenty-six weeks ended June 27, 2020 was included in the deferred revenue balance as of December 28, 2019. Approximately $8.3 million and $8.3 million of deferred revenue as of June 27, 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 June 27, 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 10 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.

Historically, the Company had two reporting segments: franchise operations and company restaurant operations. In accordance with Accounting Standards Codification 280 "Segment Reporting", the Company uses the management approach for determining its reportable segments. The management approach is based upon the way management reviews performance and allocates resources. Due to changes in how the Company's chief operating decision maker assesses the Company's performance and allocates resources, the Company reevaluated its operating segments and has determined it has one operating segment and one reporting segment.

***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 second quarter, approximately eight of our international restaurants and six 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 through the end of the 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 or second quarter of 2020; however, there can be no assurances that we will not experience supply chain challenges in the future. 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 $45.8 million as of June 27, 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 | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | June 27, 2020 | June 29, 2019 | June 27, 2020 | June 29, 2019 |
| **Domestic Franchised Activity:** | | | | |
| Beginning of period | 1,221 | 1,112 | 1,200 | 1,095 |
| Openings | 23 | 29 | 45 | 49 |
| Closures | (2) | (2) | (3) | (5) |
| Re-franchised by Company | 2 | — | 2 | — |
| Restaurants end of period | 1,244 | 1,139 | 1,244 | 1,139 |
| **Domestic Company-Owned Activity:** | | | | |
| Beginning of period | 32 | 29 | 31 | 29 |
| Openings | — | — | 1 | — |
| Closures | — | — | — | — |
| Re-franchised to franchisees | (2) | — | (2) | — |
| Restaurants end of period | 30 | 29 | 30 | 29 |
| **Total Domestic Restaurants** | **1,274** | **1,168** | **1,274** | **1,168** |
| **International Franchised Activity:** | | | | |
| Beginning of period | 160 | 132 | 154 | 128 |
| Openings | 2 | 5 | 8 | 11 |
| Closures | — | (2) | — | (4) |
| Restaurants end of period | 162 | 135 | 162 | 135 |
| **Total System-wide Restaurants** | **1,436** | **1,303** | **1,436** | **1,303** |

*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 transaction costs, costs and fees associated with investments in our strategic initiatives, gains and losses on the disposal of assets, and 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 and twenty-six weeks ended June 27, 2020 and June 29, 2019 (dollars in thousands):

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | **June 27, 2020** | **June 29, 2019** | **June 27, 2020** | **June 29, 2019** |
| Number of system-wide restaurants open at end of period | 1,436 | 1,303 | 1,436 | 1,303 |
| System-wide sales [(1)] | $ 509,045 | $ 371,505 | $ 938,952 | $ 733,865 |
| Domestic restaurant AUV | $ 1,366 | $ 1,189 | $ 1,366 | $ 1,189 |
| Domestic same store sales growth | 31.9 % | 12.8 % | 21.0 % | 9.9 % |
| Company-owned domestic same store sales growth | 24.7 % | 13.8 % | 15.7 % | 9.1 % |
| Total revenue | $ 66,105 | $ 48,562 | $ 121,541 | $ 96,615 |
| Net income | $ 11,539 | $ 4,918 | $ 19,635 | $ 11,524 |
| Adjusted EBITDA [(2)] | $ 20,888 | $ 13,549 | $ 37,245 | $ 27,435 |

(1) The percentage of system-wide sales attributable to company-owned restaurants was 3.3% and 3.7% for the thirteen weeks ended June 27, 2020 and June 29, 2019, respectively, and was 3.2% and 3.7% for the twenty-six weeks ended June 27, 2020 and June 29, 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 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 transaction costs, costs and fees associated with investments in our strategic initiatives, gains and losses on the disposal of assets, and 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 and twenty-six weeks ended June 27, 2020 and June 29, 2019 (in thousands):

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | **June 27, 2020** | **June 29, 2019** | **June 27, 2020** | **June 29, 2019** |
| Net income | $ 11,539 | $ 4,918 | $ 19,635 | $ 11,524 |
| Interest expense, net | 4,214 | 4,299 | 8,359 | 8,709 |
| Income tax expense | 3,784 | 1,070 | 5,014 | 1,825 |
| Depreciation and amortization | 1,398 | 1,335 | 2,953 | 2,611 |
| EBITDA | $ 20,935 | $ 11,622 | $ 35,961 | $ 24,669 |
| Additional adjustments: | | | | |
| Gain on disposal of assets [(a)] | (2,016) | — | (2,016) | — |
| Stock-based compensation expense [(b)] | 1,969 | 1,927 | 3,300 | 2,766 |
| Adjusted EBITDA | $ 20,888 | $ 13,549 | $ 37,245 | $ 27,435 |

[(a)] Represents a gain resulting from the re-franchise of company-owned restaurants to a franchisee which is included in Selling, general and administrative expense in the Consolidated Statements of Operations.
[(b)] Includes non-cash, stock-based compensation.

***Results of Operations***

***Thirteen Weeks Ended June 27, 2020 compared to Thirteen Weeks Ended June 29, 2019***

The following table sets forth our results of operations for the thirteen weeks ended June 27, 2020 and June 29, 2019 (dollars in thousands):

| | **Thirteen Weeks Ended** | | **Increase / (Decrease)** | |
|---|---|---|---|---|
| | **June 27, 2020** | **June 29, 2019** | **$** | **%** |
| Revenue: | | | | |
| Royalty revenue, franchise fees and other | $ 27,858 | $ 21,187 | $ 6,671 | 31.5 % |
| Advertising fees and related income | 19,923 | 13,487 | 6,436 | 47.7 % |
| Company-owned restaurant sales | 18,324 | 13,888 | 4,436 | 31.9 % |
| Total revenue | 66,105 | 48,562 | 17,543 | 36.1 % |
| Costs and expenses: | | | | |
| Cost of sales (1) | 13,387 | 10,573 | 2,814 | 26.6 % |
| Advertising expenses | 18,589 | 12,973 | 5,616 | 43.3 % |
| Selling, general and administrative | 13,194 | 13,394 | (200) | (1.5)% |
| Depreciation and amortization | 1,398 | 1,335 | 63 | 4.7 % |
| Total costs and expenses | 46,568 | 38,275 | 8,293 | 21.7 % |
| Operating income | 19,537 | 10,287 | 9,250 | 89.9 % |
| Interest expense, net | 4,214 | 4,299 | (85) | (2.0)% |
| Income before income tax expense | 15,323 | 5,988 | 9,335 | 155.9 % |
| Income tax expense | 3,784 | 1,070 | 2,714 | 253.6 % |
| Net income | $ 11,539 | $ 4,918 | $ 6,621 | 134.6 % |

(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 June 27, 2020, total revenue was $66.1 million, an increase of $17.5 million, or 36.1%, compared to $48.6 million in the comparable period in 2019.

*Royalty revenue, franchise fees and other.* During the thirteen weeks ended June 27, 2020, royalty revenue, franchise fees and other was $27.9 million, an increase of $6.7 million, or 31.5%, compared to $21.2 million in the comparable period in 2019. Royalty revenue increased primarily due to domestic same store sales growth of 31.9% as well as 132 net franchise restaurant openings since June 29, 2019.

*Advertising fees and related income.* During the thirteen weeks ended June 27, 2020, advertising fees and related income was $19.9 million, an increase of $6.4 million, compared to $13.5 million in the comparable period in 2019. Advertising fees increased primarily due the 37.0% increase in system-wide sales in the thirteen weeks ended June 27, 2020 compared to the thirteen weeks ended June 29, 2019.

*Company-owned restaurant sales.* During the thirteen weeks ended June 27, 2020, company-owned restaurant sales were $18.3 million, an increase of $4.4 million, or 31.9%, compared to $13.9 million in the comparable period in 2019. The increase was primarily due to company-owned same store sales growth of 24.7%, which was driven by both an increase in transactions and transaction size. Also contributing to the increase was the acquisition of one franchised restaurant and the opening of two company-owned restaurants since the prior year comparable period, resulting in additional company-owned restaurant sales of $1.1 million.

*Cost of sales.* During the thirteen weeks ended June 27, 2020, cost of sales was $13.4 million, an increase of $2.8 million, or 26.6%, compared to $10.6 million in the comparable period in 2019. Cost of sales as a percentage of company-owned restaurant sales was 73.1% in the thirteen weeks ended June 27, 2020, compared to 76.1% in the comparable period in 2019.

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

| | Thirteen Weeks Ended | | | |
|---|---|---|---|---|
| | June 27, 2020 | | June 29, 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 | $ 5,954 | 32.5 % | $ 5,205 | 37.5 % |
| Labor costs | 4,687 | 25.6 % | 3,193 | 23.0 % |
| Other restaurant operating expenses | 3,086 | 16.8 % | 2,556 | 18.4 % |
| Vendor rebates | (340) | (1.9) % | (381) | (2.7) % |
| Total cost of sales | $ 13,387 | 73.1 % | $ 10,573 | 76.1 % |

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 32.5% in the thirteen weeks ended June 27, 2020, compared to 37.5% in the comparable period in 2019. The decrease was primarily due to a 22.7% decrease in the cost of bone-in chicken wings as compared to the prior year period.

Labor costs as a percentage of company-owned restaurant sales were 25.6% for the thirteen weeks ended June 27, 2020, compared to 23.0% in the comparable period in 2019. The increase percentage of company-owned restaurant sales was primarily due to additional incentive pay provided to team members during the COVID-19 pandemic. This increase was partially offset by our ability to leverage costs due to the increase in company-owned same store sales of 24.7%.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 16.8% for the thirteen weeks ended June 27, 2020, compared to 18.4% in the comparable period in 2019. The decrease as a percentage of company-owned restaurant sales was due to our ability to leverage costs due to the increase in company-owned same store sales of 24.7%.

*Advertising expenses.* During the thirteen weeks ended June 27, 2020, advertising expenses were $18.6 million, an increase of $5.6 million compared to $13.0 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 June 27, 2020, SG&A expense was $13.2 million, a decrease of $0.2 million compared to $13.4 million in the comparable period in 2019. The decrease in SG&A expense was primarily due to a gain of $2.0 million recognized due to the re-franchising of two company-owned restaurants, which was offset by a one-time donation to the National Restaurant Employee Relief Fund of $1.0 million to support restaurant workers in times of need, $0.6 million in COVID-19 related expenses and support provided to international franchisees, and $0.3 million associated with additional expenses to support our national advertising campaign which has an equal and offsetting contribution in revenue.

*Depreciation and amortization.* During the thirteen weeks ended June 27, 2020, depreciation expense was $1.4 million, an increase of $0.1 million compared to $1.3 million in the comparable period in 2019. The increase in depreciation and amortization was primarily due to additional capital expenditures related to investments in technology.

*Interest expense, net.* During the thirteen weeks ended June 27, 2020, interest expense was $4.2 million, which was comparable to the $4.3 million of interest expense in the comparable period in 2019.

*Income tax expense.* Income tax expense was $3.8 million in the thirteen weeks ended June 27, 2020, yielding an effective tax rate of 24.7%, compared to an effective tax rate of 17.9% in the prior year period. The increase in the effective tax rate was primarily due to the impact of excess tax benefits associated with stock options on the effective rate.

***Twenty-Six Weeks Ended June 27, 2020 compared to Twenty-Six Weeks Ended June 29, 2019***

The following table sets forth our results of operations for the twenty-six weeks ended June 27, 2020 and June 29, 2019 (dollars in thousands):

| | Twenty-Six Weeks Ended | | Increase / (Decrease) | |
|---|---|---|---|---|
| | **June 27, 2020** | **June 29, 2019** | **$** | **%** |
| Revenue: | | | | |
| Royalty revenue, franchise fees and other | $ 52,057 | $ 42,515 | $ 9,542 | 22.4 % |
| Advertising fees and related income | 35,937 | 26,697 | 9,240 | 34.6 % |
| Company-owned restaurant sales | 33,547 | 27,403 | 6,144 | 22.4 % |
| Total revenue | 121,541 | 96,615 | 24,926 | 25.8 % |
| Costs and expenses: | | | | |
| Cost of sales [(1)] | 24,563 | 20,303 | 4,260 | 21.0 % |
| Advertising expenses | 33,513 | 25,707 | 7,806 | 30.4 % |
| Selling, general and administrative | 27,504 | 25,936 | 1,568 | 6.0 % |
| Depreciation and amortization | 2,953 | 2,611 | 342 | 13.1 % |
| Total costs and expenses | 88,533 | 74,557 | 13,976 | 18.7 % |
| Operating income | 33,008 | 22,058 | 10,950 | 49.6 % |
| Interest expense, net | 8,359 | 8,709 | (350) | (4.0)% |
| Income before income tax expense | 24,649 | 13,349 | 11,300 | 84.7 % |
| Income tax expense | 5,014 | 1,825 | 3,189 | 174.7 % |
| Net income | $ 19,635 | $ 11,524 | $ 8,111 | 70.4 % |

[(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 twenty-six weeks ended June 27, 2020, total revenue was $121.5 million, an increase of $24.9 million, or 25.8%, compared to $96.6 million in the comparable period in 2019.

*Royalty revenue, franchise fees and other.* During the twenty-six weeks ended June 27, 2020, royalty revenue, franchise fees and other was $52.1 million, an increase of $9.5 million, or 22.4%, compared to $42.5 million in the comparable period in 2019. Royalty revenue increased due to 132 net franchise restaurant openings since June 29, 2019 and domestic same store sales growth of 21.0%.

*Advertising fees and related income.* During the twenty-six weeks ended June 27, 2020, advertising fees and related income was $35.9 million, an increase of $9.2 million, or 34.6%, compared to $26.7 million in the comparable period in 2019. Advertising fees increased primarily due to the 27.9% increase in system-wide sales in the twenty-six weeks ended June 27, 2020 compared to the twenty-six weeks ended June 29, 2019.

*Company-owned restaurant sales.* During the twenty-six weeks ended June 27, 2020, company-owned restaurant sales were $33.5 million, an increase of $6.1 million, or 22.4%, compared to $27.4 million in the comparable period in 2019. The increase was primarily due an increase in company-owned same store sales of 15.7%, which was driven by both an increase in transactions and transaction size. Also contributing to the increase was 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 $2.0 million.

*Cost of sales.* During the twenty-six weeks ended June 27, 2020, cost of sales was $24.6 million, an increase of $4.3 million, or 21.0%, compared to $20.3 million in the comparable period in 2019. Cost of sales as a percentage of company-owned restaurant sales was 73.2% in the twenty-six weeks ended June 27, 2020 compared to 74.1% in the prior year period.

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

| | Twenty-Six Weeks Ended | | | |
|---|---|---|---|---|
| | June 27, 2020 | | June 29, 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 | $ 11,431 | 34.1 % | $ 10,022 | 36.6 % |
| Labor costs | 8,211 | 24.5 % | 6,217 | 22.7 % |
| Other restaurant operating expenses | 5,652 | 16.8 % | 4,833 | 17.6 % |
| Vendor rebates | (731) | (2.2) % | (769) | (2.8) % |
| Total cost of sales | $ 24,563 | 73.2 % | $ 20,303 | 74.1 % |

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 34.1% in the twenty-six weeks ended June 27, 2020, compared to 36.6% in the comparable period in 2019. The decrease was primarily due to a 14.5% decrease in the cost of bone-in chicken wings as compared to the prior year period.

Labor costs as a percentage of company-owned restaurant sales were 24.5% for the twenty-six weeks ended June 27, 2020, compared to 22.7% in the comparable period in 2019. The increase was primarily due to additional incentive pay provided to team members during the COVID-19 pandemic. These increases were partially offset by our ability to leverage costs due to the increase in company-owned same store sales of 15.7%.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 16.8% for the twenty-six weeks ended June 27, 2020, compared to 17.6% in the comparable period in 2019. The decrease as a percentage of company-owned restaurant sales was due to sales leverage achieved as a result of the increase in company-owned same store sales of 15.7%. This decrease was slightly offset by an increase in delivery fees payable to third-party delivery providers due to the growth in delivery mix as a percent of total sales during the twenty-six weeks ended June 27, 2020.

*Advertising expenses.* During the twenty-six weeks ended June 27, 2020, advertising expenses were $33.5 million, an increase of $7.8 million, or 30.4%, compared to $25.7 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.* During the twenty-six weeks ended June 27, 2020, SG&A expense was $27.5 million, an increase of $1.6 million, or 6.0%, compared to $25.9 million in the comparable period in 2019. The increase in SG&A expense was primarily due to a one-time donation to the National Restaurant Employee Relief Fund of $1.0 million to support restaurant workers in times of need. Also contributing to the increase was an increase of $0.7 million associated with additional expenses to support our national advertising campaign which has an equal and offsetting contribution in revenue, an increase of $0.7 million of charges associated with certain organizational changes, expenses of $0.7 million related to COVID-19 and support provided to international franchisees, and an increase of $0.5 million in stock-based compensation expense. These increases were partially offset by a gain of $2.0 million recognized due to the re-franchising of two company-owned restaurants.

*Depreciation and amortization.* During the twenty-six weeks ended June 27, 2020, depreciation and amortization expense was $3.0 million, an increase of $0.3 million, or 13.1%, compared to $2.6 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 twenty-six weeks ended June 27, 2020, interest expense was $8.4 million, a decrease of $0.4 million, or 4.0%, compared to $8.7 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 $5.0 million in the twenty-six weeks ended June 27, 2020, yielding an effective tax rate of 20.3%, compared to an effective tax rate of 13.7% in the prior year period. The increase in the effective tax rate was primarily due to the impact of excess tax benefits associated with stock options on the effective rate.

***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 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 twenty-six weeks ended June 27, 2020 and June 29, 2019 (in thousands):

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | **June 27, 2020** | **June 29, 2019** |
| Net cash provided by (used in): | | |
| Operating activities | $ 25,612 | $ 10,491 |
| Investing activities | (370) | (1,442) |
| Financing activities | 9,021 | (6,782) |
| Net change in cash and cash equivalents | $ 34,263 | $ 2,267 |

*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 $25.6 million in the twenty-six weeks ended June 27, 2020, an increase of $15.1 million from cash provided by operating activities of $10.5 million in the twenty-six weeks ended June 29, 2019. The increase is the result of increased operating income associated with the increased sales over the prior period coupled with the increase in working capital due to timing of payments associated with our national advertising campaign and taxes.

*Investing activities.* Our net cash used in investing activities was $0.4 million in the twenty-six weeks ended June 27, 2020, a decrease of $1.1 million from cash used in investing activities of $1.4 million in the twenty-six weeks ended June 29, 2019. The decrease in cash used in investing activities was due to proceeds received from the sale of two company-owned restaurants during the fiscal quarter ended June 27, 2020, which offset increased capital expenditures associated with the opening of a new company-owned restaurant.

*Financing activities.* Our net cash provided by financing activities was $9.0 million in the twenty-six weeks ended June 27, 2020, an increase of $15.8 million from cash used in financing activities of $6.8 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 twenty-six weeks ended June 27, 2020, partially offset by an increase in the amount of our regular dividend.

*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, which allow us to borrow up to $20 million as needed on a revolving basis and to issue letters of credit (the "Variable Funding Notes" and, together with the Class A-2 Notes, the "Notes"). As of June 27, 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 June 27, 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 making 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 in each of the first two quarters of 2020, resulting in aggregate dividend payments of $6.5 million during the twenty-six weeks ended June 27, 2020. On July 28, 2020, the Company's Board of Directors approved a dividend of $0.14 per share, to be paid on September 11, 2020 to stockholders of record as of August 28, 2020, totaling approximately $4.1 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 our 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 our 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 June 27, 2020. We do not believe 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 25.4% and 28.1% of our company-owned restaurant cost of sales during the twenty-six weeks ended June 27, 2020 and June 29, 2019, respectively. A hypothetical 10% increase in the bone-in chicken wing costs would have increased costs of sales by approximately $0.6 million during the twenty-six weeks ended June 27, 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 under the Company's previous senior secured credit 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 June 27, 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 June 27, 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 June 27, 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, which at the time represented approximately 20% of our domestic system sales, and also closed the dining rooms in some of our international restaurants in the first quarter. We have also incurred additional operating expenses at our company-owned restaurants due to the payment of increased incentive compensation to our full-time team members in light of COVID-19. 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 early impact of the COVID-19 outbreak adversely affected our ability to open new restaurants during the months of March and April of 2020. Social distancing and stay-at-home or shelter-in-place orders and mandates as well as construction restrictions related to COVID-19 caused an initial slowdown in planned openings and in construction related processes such as onsite inspections, permitting, and construction completion in some jurisdictions. These changes adversely affected, our ability to grow our business during this time period, and may continue to affect our ability to open new restaurants if stay-at-home or shelter-in-place orders are reinstated.

Disruptions in 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 revenues 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. Restaurant operations could be further disrupted if any employees are diagnosed with COVID-19 since this could require some or all of a restaurant's employees to be quarantined and restaurant facilities to be closed to disinfect. 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, 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.

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. Both franchised restaurants and company-owned restaurants, across all geographies, have been impacted, and management expects that they will continue to 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., as amended through June 15, 2020. |
| 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. |
| 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.

**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.<br>(Registrant) |
| Date: July 29, 2020 | By: /s/ Charles R. Morrison<br>*Chairman and Chief Executive Officer*<br>(Principal Executive Officer) |
| Date: July 29, 2020 | By: /s/ Michael J. Skipworth<br>*Chief Financial Officer*<br>(Principal Financial and Accounting Officer) |

**Exhibit 3.1**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**WINGSTOP INC.**

**(as amended through June 15, 2020)**

**ARTICLE I - NAME**

The name of the corporation is Wingstop Inc. (the "Corporation").

**ARTICLE II - REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is 1209 North Orange Street, Wilmington, DE 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

**ARTICLE III - PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**ARTICLE IV - CAPITALIZATION**

(a) Authorized Shares. The total number of shares of stock which the Corporation shall have authority to issue is 115,000,000, consisting of:

i. 100,000,000 shares of Common Stock, par value $0.01 per share ("Common Stock"), and

ii. 15,000,000 shares of Preferred Stock, par value $0.01 per share ("Preferred Stock").

Such stock may be issued from time to time by the Corporation for such consideration as may be fixed by the board of directors of the Corporation (the "Board of Directors").

(b) Common Stock. Subject to the powers, preferences and rights of any Preferred Stock, including any series thereof having any preference or priority over, or rights superior to, Common Stock, and except as otherwise provided by law and this Article IV, the holders of Common Stock shall have all powers and voting and other rights pertaining to the stock of the Corporation.

i. *Voting.* Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; provided, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation (including, but not limited to, any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other series, to vote thereon pursuant to this Certificate of Incorporation (including, but not limited to, any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL. There shall be no cumulative voting in the election of directors.

ii. *Dividends.* Dividends may be declared and paid on Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock. Except as otherwise provided by the DGCL or this Certificate of Incorporation, the holders of record of Common Stock shall share ratably in all dividends payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise.

iii. *No Preemptive Rights.* The holders of Common Stock shall have no preemptive rights to subscribe for any shares of any class of stock of the Corporation whether now or hereafter authorized.

iv. *No Conversion Rights.* Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation's capital stock.

v. *Liquidation Rights.* Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares of Common Stock held by them, subject to any preferential rights of any then outstanding Preferred Stock. A merger or consolidation of the Corporation with or into any other corporation or other entity or a sale or conveyance of all or any part of the assets of the Corporation, in any such case which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders, shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Article IV(b)(v).

(c) Preferred Stock. Shares of Preferred Stock may be issued in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers relative to other classes or series of Preferred Stock, if any, or Common Stock, with full, limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series of Preferred Stock adopted by the Board of Directors, and the Board of Directors is hereby expressly vested with the authority, to the full extent now or hereafter provided by applicable law, to adopt any such resolution or resolutions. Except as otherwise provided in this Certificate of Incorporation, no vote of the holders of Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation. Any shares of Preferred Stock that are redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law or this Certificate of Incorporation. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the certificate of designations or any resolution or resolutions providing for the issuance of such series adopted by the Board of Directors.

(d) No Class Vote On Changes In Authorized Number of Shares Of Preferred Stock. Subject to the special rights of the holders of any series of Preferred Stock pursuant to the terms of this Certificate of Incorporation, any certificate of designations or any resolution or resolutions providing for the issuance of such series of stock adopted by the Board of Directors, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL.

**ARTICLE V - BOARD OF DIRECTORS**

(a) Number of Directors; Vacancies and Newly Created Directorships. The number of directors constituting the Board of Directors shall be not fewer than three and not more than fifteen, each of whom shall be a natural person. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the precise number of directors shall be fixed from time to time exclusively pursuant to a resolution adopted by the Board of Directors. Vacancies and newly-created directorships shall be filled exclusively by vote of a majority of the directors then in office or by a sole remaining director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal.

(b) Classified Board of Directors. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the Board of Directors shall be classified into three classes: Class I; Class II; and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors and the allocation of directors among the three classes shall be determined by the Board of Directors. The initial Class I Directors shall serve for a term expiring at the first annual meeting of stockholders of the Corporation following the filing of this Certificate of Incorporation; the initial Class II Directors shall serve for a term expiring at the second annual meeting of stockholders following the filing of this Certificate of Incorporation; and the initial Class III Directors shall serve for a term expiring at the third annual meeting of stockholders following the filing of this Certificate of Incorporation. Each director in each class shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. At each annual meeting of stockholders beginning with the first annual meeting of stockholders following the filing of this Certificate of Incorporation, the directors (or successors thereof) of the class whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in the third year following the year of their election, with each director in each such class to hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible and such apportionment shall be determined by the Board of Directors.

(c) Removal. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, and notwithstanding any other provision of this Certificate of Incorporation, directors of the Corporation may be removed only for cause at a meeting of stockholders called for that purpose, by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Voting Stock, voting together as a single class.

**ARTICLE VI - LIMITATION OF DIRECTOR LIABILITY**

To the fullest extent that the DGCL or any other law of the State of Delaware (as they exist on the date hereof or as they may hereafter be amended) permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

No amendment to, or modification or repeal of, this Article VI shall adversely affect any right or protection of a director of the Corporation against liability existing hereunder with respect to any state of facts existing or act or omission occurring, or any cause of action, suit or claim that, but for this Article VI, would accrue or arise, prior to such amendment, modification or repeal. If the DGCL is amended after the filing of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

**ARTICLE VII - MEETINGS OF STOCKHOLDERS**

(a) Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

(b) Annual Meetings of Stockholders. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such date, time and place, if any, as shall be determined exclusively by resolution of the Board of Directors in its sole and absolute discretion.

(c) Special Meetings of Stockholders. Subject to any special rights of the holders of any series of Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation may be called only (i) by or at the direction of the Board of Directors, acting pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office, or (ii) by the chairman of the Board of Directors. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

(d) Election of Directors by Written Ballot. Election of directors need not be by written ballot.

**ARTICLE VIII - BUSINESS COMBINATIONS**

(a) Opt Out of DGCL 203. The Corporation shall not be governed by Section 203 of the DGCL.

(b) Limitations on Business Combinations. Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, with any interested stockholder (as defined below) for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

i. prior to such time, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, or

ii. upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least eighty-five percent (85%) of the Voting Stock outstanding at the time the transaction commenced, excluding for purposes of determining the Voting Stock outstanding (but not the outstanding Voting Stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers of the Corporation and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

iii. at or subsequent to that time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding Voting Stock that is not owned by the interested stockholder.

(c) Certain Definitions. Solely for purposes of this Article VIII, references to:

i. "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

ii. "associate," when used to indicate a relationship with any person, means: (A) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of twenty percent (20%) or more of any class of Voting Stock; (B) any trust or other estate in which such person has at least a twenty percent (20%) beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (C) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

iii. "business combination," when used in reference to the Corporation and any interested stockholder of the Corporation, means:

A. any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (1) with the interested stockholder, or (2) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Article (VIII)(b) is not applicable to the surviving entity;

B. any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to ten percent (10%) or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

C. any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (1) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (2) pursuant to a merger under Section 251(g) of the DGCL; (3) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all stockholders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (4) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all stockholders of said stock; or (5) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (3)-(5) of this subsection (C) shall there be an increase in the interested stockholder's proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

D. any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary which is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

E. any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (A)-(D) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

iv. "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of twenty percent (20%) or more of the voting power of the outstanding voting stock of the Corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Article VIII, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

v. Reserved.

vi. "interested stockholder" means any person (other than the Corporation and its subsidiaries) that (A) is the owner of fifteen percent (15%) or more of the Voting Stock of the Corporation, or (B) is an affiliate or associate of the Corporation and was the owner of fifteen percent (15%) or more of the Voting Stock of the Corporation at any time within the three (3) year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder; and the affiliates and associates of such person; but "interested stockholder" shall not include any person whose ownership of shares in excess of the fifteen percent (15%) limitation set forth herein is the result of any action taken solely by the Corporation; provided that such person shall be an interested stockholder if thereafter such person acquires additional shares of Voting Stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the Voting Stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of "owner" below but shall not include any other unissued stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

vii. "owner," including the terms "own" and "owned," when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

A. beneficially owns such stock, directly or indirectly; or

B. has (1) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered stock is accepted for purchase or exchange; or (2) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person's right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten (10) or more persons; or

C. has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in Article VIII(c)(vii)(B)(2) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

viii. "person" means any individual, corporation, partnership, unincorporated association or other entity.

ix. "stock" means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

**ARTICLE IX - RENOUNCEMENT OF CORPORATE OPPORTUNITY**

Reserved.

**ARTICLE X - EXCLUSIVE JURISDICTION FOR CERTAIN ACTIONS**

Unless the Corporation, as authorized by the Board of Directors, consents in writing to the selection of one or more alternative forums, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Corporation's bylaws or (d) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensible parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article X.

**ARTICLE XI - AMENDMENTS**

The Corporation reserves the right to alter, amend, repeal or adopt any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the DGCL, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding anything to the contrary contained in this Certificate of Incorporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Article V, Article VI, paragraphs (a), (b) and (c) of Article VII, Article VIII, Article IX, Article X and this Article XI may be altered, amended or repealed in any respect, nor may any provision or bylaw inconsistent therewith be adopted, unless in addition to any other vote required by this Certificate of Incorporation or otherwise required by law such alteration, amendment, repeal or adoption is approved at a meeting of the stockholders called for that purpose by, in addition to any other vote otherwise required by law, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Voting Stock, voting together as a single class.

**ARTICLE XII - SEVERABILITY**

If any provision or provisions of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of this Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

**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: July 29, 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: July 29, 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 June 27, 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: July 29, 2020

By: /s/ Charles R. Morrison
*Chairman and Chief Executive Officer*
(Principal Executive Officer)

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 27, 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: July 29, 2020

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