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 26, 2021

☐ **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.)
15505 Wright Brothers Drive **Addison** **Texas**	**75001**
(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 27, 2021 there were 29,745,482 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 26, 2021 (Unaudited)	December 26, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 43,504	$ 40,858
Restricted cash	4,657	4,815
Accounts receivable, net	5,854	4,929
Prepaid expenses and other current assets	9,132	5,532
Advertising fund assets, restricted	21,561	16,486
Total current assets	84,708	72,620
Property and equipment, net	39,598	27,948
Goodwill	53,690	53,690
Trademarks	32,700	32,700
Customer relationships, net	10,951	11,600
Other non-current assets	12,617	13,007
Total assets	**$ 234,264**	**$ 211,565**
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 3,812	$ 3,658
Other current liabilities	25,072	26,729
Current portion of debt	1,200	3,600
Advertising fund liabilities	21,561	16,486
Total current liabilities	51,645	50,473
Long-term debt, net	468,774	466,933
Deferred revenues, net of current	26,156	24,962
Deferred income tax liabilities, net	5,416	4,480
Other non-current liabilities	4,516	6,027
Total liabilities	556,507	552,875
Commitments and contingencies (see Note 8)		
Stockholders' deficit		
Common stock, $0.01 par value; 100,000,000 shares authorized; 29,743,375 and 29,687,123 shares issued and outstanding as of June 26, 2021 and December 26, 2020, respectively	298	297
Additional paid-in-capital	594	421
Retained deficit	(323,026)	(342,028)
Accumulated other comprehensive loss	(109)	—
Total stockholders' deficit	(322,243)	(341,310)
Total liabilities and stockholders' deficit	**$ 234,264**	**$ 211,565**

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Revenue:				
Royalty revenue, franchise fees and other	$ 33,135	$ 27,858	$ 64,741	$ 52,057
Advertising fees	22,577	19,923	44,097	35,937
Company-owned restaurant sales	18,288	18,324	35,852	33,547
Total revenue	74,000	66,105	144,690	121,541
Costs and expenses:				
Cost of sales (1)	14,207	13,387	27,486	24,563
Advertising expenses	23,301	20,424	45,328	37,420
Selling, general and administrative	16,066	13,375	29,852	25,613
Depreciation and amortization	1,523	1,398	3,318	2,953
Gain on sale of restaurants and other expenses, net	—	(2,016)	—	(2,016)
Total costs and expenses	55,097	46,568	105,984	88,533
Operating income	18,903	19,537	38,706	33,008
Interest expense, net	3,724	4,214	7,506	8,359
Income before income tax expense	15,179	15,323	31,200	24,649
Income tax expense	3,867	3,784	6,728	5,014
Net income	$ 11,312	$ 11,539	$ 24,472	$ 19,635
Earnings per share				
Basic	$ 0.38	$ 0.39	$ 0.82	$ 0.66
Diluted	$ 0.38	$ 0.39	$ 0.82	$ 0.66
Weighted average shares outstanding				
Basic	29,739	29,588	29,722	29,538
Diluted	29,873	29,793	29,859	29,751
Dividends per share	$ 0.14	$ 0.11	$ 0.28	$ 0.22
Other comprehensive income (loss)				
Currency translation adjustment	$ (109)	$ —	$ (109)	$ —
Other comprehensive income (loss)	(109)	—	(109)	—
Comprehensive income	$ 11,203	$ 11,539	$ 24,363	$ 19,635

(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 27, 2020 and June 26, 2021
(amounts in thousands, except share data)
(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	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 declared on common stock and equivalents	—	—	(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 declared on common stock and equivalents	—	—	(2,202)	(1,075)	—	(3,277)
Balance at June 27, 2020	29,596,347	$ 296	$ 43	$ (193,011)	$ —	(192,672)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance at December 26, 2020	29,687,123	$ 297	$ 421	$ (342,028)	$ —	$ (341,310)
Net income	—	—	—	13,160	—	13,160
Shares issued under stock plans	60,958	1	155	—	—	156
Tax payments for restricted stock upon vesting	(11,243)	—	—	(1,862)	—	(1,862)
Stock-based compensation expense	—	—	2,316	—	—	2,316
Dividends declared on common stock and equivalents	—	—	(2,866)	(1,322)	—	(4,188)
Balance at March 27, 2021	29,736,838	298	26	(332,052)	—	(331,728)
Net income	—	—	—	11,312	—	11,312
Shares issued under stock plans	6,613	—	—	—	—	—
Tax payments for restricted stock upon vesting	(76)	—	—	(11)	—	(11)
Stock-based compensation expense	—	—	2,456	—	—	2,456
Dividends declared on common stock and equivalents	—	—	(1,888)	(2,275)	—	(4,163)
Currency translation adjustment	—	—	—	—	(109)	(109)
Balance at June 26, 2021	29,743,375	$ 298	$ 594	$ (323,026)	$ (109)	(322,243)

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 26, 2021	June 27, 2020
Operating activities		
Net income	$ 24,472	$ 19,635
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	3,318	2,953
Deferred income taxes	936	1,720
Stock-based compensation expense	4,772	3,300
(Gain)/Loss on disposal of assets	—	(2,016)
Amortization of debt issuance costs	711	815
Changes in operating assets and liabilities:		
Accounts receivable	(925)	(405)
Prepaid expenses and other assets	(2,217)	(652)
Advertising fund assets and liabilities, net	4,897	2,004
Accounts payable and other current liabilities	(5,231)	(675)
Deferred revenue	1,315	10
Other non-current liabilities	(436)	(1,077)
Cash provided by operating activities	31,612	25,612
Investing activities		
Purchases of property and equipment	(8,258)	(2,670)
Proceeds from sales of assets	—	2,300
Payments for investments (Note 6)	(4,163)	—
Cash used in investing activities	(12,421)	(370)
Financing activities		
Proceeds from exercise of stock options	156	562
Borrowings of long-term debt	—	16,000
Repayments of long-term debt	(1,200)	(800)
Tax payments for restricted stock upon vesting	(1,873)	(241)
Dividends paid	(8,889)	(6,500)
Cash provided by (used in) financing activities	(11,806)	9,021
Net increase in cash, cash equivalents, and restricted cash	7,385	34,263
Cash, cash equivalents, and restricted cash at beginning of period	59,270	21,175
Cash, cash equivalents, and restricted cash at end of period	$ 66,655	$ 55,438
Supplemental information:		
Accrued capital expenditures	$ 6,325	$ —

See accompanying notes to consolidated financial statements.

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

Nature of operations. 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 26, 2021, the Company had 1,415 domestic franchised restaurants and 175 international franchised restaurants. As of June 26, 2021, the Company owned and operated 34 restaurants.

Basis of presentation. The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Consequently, financial information and disclosures normally included in financial statements prepared annually in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted. Balance sheet amounts are as of June 26, 2021 and December 26, 2020, and operating results are for the thirteen and twenty-six weeks ended June 26, 2021 and June 27, 2020.

The foreign currency translation adjustment included in the Consolidated Statements of Comprehensive Income represents the unrealized impact of translating our foreign investment. This amount is not included in Net Income and would only be realized upon disposition of our investment. The related Accumulated other comprehensive loss is presented in the Consolidated Balance Sheets.

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 26, 2020.

Fiscal year. The Company uses a 52/53-week fiscal year that ends on the last Saturday of the calendar year. Fiscal years 2021 and 2020 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 26, 2021 and December 26, 2020 were as follows (in thousands):

	June 26, 2021	December 26, 2020
Cash and cash equivalents	$ 43,504	$ 40,858
Restricted cash	4,657	4,815
Restricted cash, included in Advertising fund assets, restricted	18,494	13,597
Total cash, cash equivalents, and restricted cash	$ 66,655	$ 59,270

Change in presentation. Beginning in the first quarter of 2021, headcount related expenses that support our national advertising fund are presented within "Advertising expenses" on the Consolidated Statements of Comprehensive Income. Prior to the first quarter of 2021, these expenses were presented within "Selling, general and administrative expenses." Prior period amounts have been reclassified to conform to the current presentation. This reclassification had no impact on operating income, balance sheets or statements of cash flows. Headcount related expenses associated with the national advertising fund were $1.9 million and $1.8 million for the thirteen weeks ended June 26, 2021 and June 27, 2020, respectively, and were $4.0 million and $3.9 million for the twenty-six weeks ended June 26, 2021 and June 27, 2020, respectively.

Recently issued accounting pronouncements. We reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on our 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 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Basic weighted average shares outstanding	29,739	29,588	29,722	29,538
Dilutive shares	134	205	137	213
Diluted weighted average shares outstanding	29,873	29,793	29,859	29,751

For the thirteen weeks ended June 26, 2021 and June 27, 2020, equity awards representing approximately 8,000 and 1,000 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 26, 2021 and June 27, 2020, equity awards representing approximately 7,000 and 1,000 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 2021, the Company's Board of Directors declared a quarterly dividend of $0.14 per share of common stock, which, in the aggregate, totaled $8.4 million, or $0.28 per share of common stock, and which was paid during the twenty-six weeks ended June 26, 2021.

Subsequent to the second quarter, on July 27, 2021, the Company's Board of Directors declared a quarterly dividend of $0.17 per share of common stock for stockholders of record as of August 13, 2021. The regular quarterly dividend is to be paid on September 3, 2021, totaling approximately $5.1 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 26, 2021		December 26, 2020	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Securitized Financing Facility:					
2020-1 Class A-2 Senior Secured Notes (1)	Level 2	$ 478,800	$ 488,826	$ 480,000	$ 483,365

(1) The fair value of the 2020-1 Class A-2 Senior Secured Notes was estimated using available market information.

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 $3.9 million and 25.5%, respectively, for the thirteen weeks ended June 26, 2021, and $3.8 million and 24.7%, respectively, for the thirteen weeks ended June 27, 2020. Income tax expense and the effective tax rate were $6.7 million and 21.6%, respectively, for the twenty-six weeks ended June 26, 2021, and $5.0 million and 20.3%, respectively, for the twenty-six weeks ended June 27, 2020.

Income tax expense for the thirteen and twenty-six weeks ended June 26, 2021 included $0.1 million and $1.5 million, respectively, in tax benefits resulting from the recognition of excess tax benefits from stock-based compensation, as compared to $0.2 million and $1.5 million in tax benefits for the thirteen and twenty-six weeks ended June 27, 2020, respectively.

(6) Investments

In the second quarter of 2021, a wholly-owned subsidiary of the Company acquired a 20% non-controlling interest in Wingstop's United Kingdom master franchisee, Lemon Pepper Holdings Ltd., ("LPH") for an aggregate amount of $4.2 million. Substantially all of the investment consisted of bonds issued by a subsidiary of LPH, which do not have a readily determinable fair value and are recorded at cost with adjustments for observable changes in prices resulting from orderly transactions for the identical or a similar investment of the same issuer or impairments within long-term other assets in the Company's consolidated balance sheet. In addition, the Company received 20% of the outstanding stock, which will be accounted for using the equity method of accounting, under which the Company's share of the income (loss) of the investee will be recorded in our results of operations in "Other operating income, net." The Company did not record any adjustments to the carrying amount of $4.2 million in the second quarter ended June 26, 2021.

(7) Debt Obligations

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

	June 26, 2021	December 26, 2020
2020-1 Class A-2 Senior Secured Notes	$ 478,800	$ 480,000
Debt issuance costs, net of amortization	(8,826)	(9,467)
Total debt	469,974	470,533
Less: current portion of debt	(1,200)	(3,600)
Long-term debt, net	$ 468,774	$ 466,933

The Company's outstanding debt consists of (i) Series 2020-1 2.84% Fixed Rate Senior Secured Notes, Class A-2 (the "2020 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 2020-1 Variable Funding Senior Notes, Class A-1 (the "2020 Variable Funding Notes" and together with the Class A-2 Notes, the "2020 Notes"), which permit borrowings of up to a maximum principal amount of $50 million which may be used to borrow amounts on a revolving basis and to issue letters of credit.

As of June 26, 2021 and December 26, 2020, the Company had $478.8 million and $480.0 million of 2020 Class A-2 Notes outstanding, respectively. There were no borrowings outstanding under the 2020 Variable Funding Notes as of June 26, 2021 and December 26, 2020. Further, as of June 26, 2021 and December 26, 2020, $3.5 million and $4.9 million, respectively, of letters of credit were outstanding against the 2020 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 26, 2021 or December 26, 2020.

As of June 26, 2021, the Company's leverage ratio under the Class A-2 Notes was less than 5.0x. Per the terms of the Company's debt agreements, principal payments can be suspended at the borrower's election until the repayment date as long as the Company maintains a leverage ratio of less than 5.0x. Accordingly, the Company expects to suspend payments following the principal payment due in the third quarter, and the remaining outstanding balance of the Class A-2 notes has been classified as long-term debt.

The 2020 Notes were 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.

(8) 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.

(9) Stock-Based Compensation

During the twenty-six weeks ended June 26, 2021, the Company granted stock options to purchase 42,703 shares of common stock and 19,967 restricted stock units ("RSUs") to certain employees. The stock options vest in equal annual amounts over a three-year period subsequent to the grant date, and have a maximum contractual term of ten years. The stock options were granted with a weighted-average exercise price of $129.11 per share and had a weighted-average grant-date fair value of $42.51 per share. The RSUs granted to certain employees generally vest in equal annual amounts over a three-year period, subsequent to the grant date and had a weighted-average grant-date fair value of $130.16 per unit.

In addition, the Company granted 31,564 performance stock units ("PSUs") to certain employees during the twenty-six weeks ended June 26, 2021. Of the total PSUs granted, 25,623 PSUs are subject to a service condition and a performance vesting condition based on return on incremental invested capital ("ROI PSUs"). The ROI PSUs are generally eligible to cliff-vest approximately three years from the grant date, and the maximum vesting percentage that could be realized for each of the ROI PSUs is 250% based on the level of performance achieved for the awards. The remaining 5,941 PSUs granted are subject to a service condition and a performance vesting condition based on the number of net new restaurants opened over the performance period ("NNR PSUs"). The NNR PSUs vest in equal annual amounts over a three-year period, and the maximum vesting percentage that could be realized for each of the NNR PSUs is 100% based on the level of performance achieved for the awards. The PSUs had a weighted-average grant-date fair value of $129.77 per unit. 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 based on the outcome.

Total compensation expense related to all share-based awards was $4.8 million and $3.3 million for the twenty-six weeks ended June 26, 2021 and June 27, 2020, respectively, and was included in Selling, general and administrative ("SG&A") expense in the Consolidated Statements of Comprehensive Income.

(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 26, 2021 and June 27, 2020 (in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Royalty revenue	$ 30,414	$ 25,447	$ 59,223	$ 46,755
Advertising fees and related income	22,577	19,923	44,097	35,937
Franchise fees	864	881	2,060	1,763

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 26, 2021 was included in the deferred revenue balance as of December 26, 2020. Approximately $9.9 million and $9.8 million of deferred revenue as of June 26, 2021 and December 26, 2020, 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 did not have any material contract assets as of June 26, 2021.

(11) Acquisitions and Refranchising of Company-owned Restaurants

During the first fiscal quarter 2021, the Company entered into an arrangement to re-franchise six company-owned restaurants in the Colorado market for a total purchase price of approximately $6.7 million. This transaction is subject to customary closing conditions, and the Company expects the transaction to close in the third fiscal quarter 2021. The assets associated with these restaurants held for sale totaled $4.5 million and were included in Prepaid expenses and other current assets on the Consolidated Balance Sheet as of June 26, 2021.

Subsequent to the end of second fiscal quarter 2021, the company acquired two existing restaurants from franchisees. The total purchase price was $3.9 million and was funded by cash flow from operations. The restaurant acquisitions will be accounted for as business combinations. The Company is still determining the estimated fair value of assets acquired and liabilities assumed. The excess of the purchase price over the aggregate fair value of assets acquired will be allocated to goodwill. The results of operations of these locations will be included in our Consolidated Statements of Comprehensive Income as of the respective dates of acquisition.

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 26, 2020 (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 11 of our Annual 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 2021 and 2020 each contain 52 weeks.

Overview

Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world, with over 1,600 locations worldwide. We are dedicated to serving the world flavor through an unparalleled guest experience and offering of classic wings and thighs, 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.

Change in presentation

Beginning in the first quarter of 2021, headcount related expenses that support our national advertising fund are presented within "Advertising expenses" on the Consolidated Statements of Comprehensive Income. Prior to the first quarter of 2021, these expenses were presented within "Selling, general and administrative expenses." Prior period amounts have been reclassified to conform to the current presentation. This reclassification had no impact on operating income, balance sheets or statements of cash flows.

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 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Domestic Franchised Activity:				
Beginning of period	1,371	1,221	1,327	1,200
Openings	44	23	88	45
Closures	—	(2)	—	(3)
Re-franchised by Company	—	2	—	2
Restaurants end of period	1,415	1,244	1,415	1,244
Domestic Company-Owned Activity:				
Beginning of period	33	32	32	31
Openings	1	—	2	1
Closures	—	—	—	—
Re-franchised to franchisees	—	(2)	—	(2)
Restaurants end of period	34	30	34	30
Total Domestic Restaurants	**1,449**	**1,274**	**1,449**	**1,274**
International Franchised Activity:				
Beginning of period	175	160	179	154
Openings	4	2	6	8
Closures	(4)	—	(10)	—
Restaurants end of period	175	162	175	162
Total System-wide Restaurants	**1,624**	**1,436**	**1,624**	**1,436**

System-wide sales. System-wide sales represents net sales for all of our company-owned and franchised restaurants. 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.

Domestic average unit volume ("AUV"). Domestic 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. Domestic AUV allows management to assess our company-owned and franchised restaurant economics. Our domestic AUV growth is primarily driven by increases in same store sales and is also influenced by opening new restaurants.

Domestic same store sales. Domestic same store sales reflects the change in year-over-year sales for the same store base. We define the same store base to include those restaurants open for at least 52 full weeks. This measure highlights the performance of existing restaurants, while excluding the impact of new restaurant openings and closures. We review same store sales for domestic company-owned restaurants as well as system-wide domestic restaurants. Domestic same store sales growth is driven by increases in transactions and average transaction size. Transaction size increases are driven by price increases or favorable mix shift from either an increase in items purchased or shifts into higher priced 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 net income before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for losses on debt extinguishment and refinancing transactions, 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. Adjusted EBITDA may not be comparable to other similarly titled captions of other companies due to differences in methods of calculation. For a reconciliation of net income to EBITDA and Adjusted EBITDA and for further discussion of EBITDA and Adjusted EBITDA as non-GAAP measures and how we utilize them, see footnote 2 below.

Adjusted Net Income and Adjusted Earnings Per Diluted Share. We define Adjusted net income as net income adjusted for losses on debt extinguishment and refinancing transactions, transaction costs, costs and fees associated with investments in our strategic initiatives, gains and losses on the disposal of assets, and related tax adjustments. We define Adjusted earnings per diluted share as Adjusted net income divided by weighted average diluted share count. For a reconciliation of net income to Adjusted net income and for further discussion of Adjusted net income and Adjusted earnings per diluted share as non-GAAP measures and how we utilize them, see footnote 3 below.

The following table sets forth our key performance indicators for the thirteen and twenty-six weeks ended June 26, 2021 and June 27, 2020 (in thousands, except unit data):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 26, 2021	**June 27, 2020**	**June 26, 2021**	**June 27, 2020**
Number of system-wide restaurants open at end of period	1,624	1,436	1,624	1,436
System-wide sales (1)	$ 589,665	$ 509,045	$ 1,148,534	$ 938,952
Domestic restaurant AUV	$ 1,556	$ 1,366	$ 1,556	$ 1,366
Domestic same store sales growth	2.1 %	31.9 %	10.4 %	21.0 %
Company-owned domestic same store sales growth	(3.1)%	24.7 %	4.3 %	15.7 %
Total revenue	$ 74,000	$ 66,105	$ 144,690	$ 121,541
Net income	$ 11,312	$ 11,539	$ 24,472	$ 19,635
Adjusted EBITDA (2)	$ 22,882	$ 20,888	$ 46,796	$ 37,245
Adjusted net income (3)	$ 11,312	$ 10,006	$ 24,472	$ 18,102

(1) The percentage of system-wide sales attributable to company-owned restaurants was 2.8% and 3.3% for the thirteen weeks ended June 26, 2021 and June 27, 2020, respectively, and was 2.9% and 3.2% for the twenty-six weeks ended June 26, 2021 and June 27, 2020, 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, 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 flow 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 26, 2021 and June 27, 2020 (in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net income	$ 11,312	$ 11,539	$ 24,472	$ 19,635
Interest expense, net	3,724	4,214	7,506	8,359
Income tax expense	3,867	3,784	6,728	5,014
Depreciation and amortization	1,523	1,398	3,318	2,953
EBITDA	$ 20,426	$ 20,935	$ 42,024	$ 35,961
Additional adjustments:				
Gain on disposal of assets [a]	—	(2,016)	—	(2,016)
Stock-based compensation expense [b]	2,456	1,969	4,772	3,300
Adjusted EBITDA	$ 22,882	$ 20,888	$ 46,796	$ 37,245

(a) Represents a gain resulting from the re-franchise of company-owned restaurants to a franchisee which is included in Gain on sale of restaurants and other expenses, net in the Consolidated Statements of Comprehensive Income.
(b) Includes non-cash, stock-based compensation.

(3) Adjusted net income and adjusted earnings per diluted share are supplemental measures of operating performance that do not represent and should not be considered alternatives to net income and earnings per share, as determined by GAAP. These measures have not been prepared in accordance with Article 11 of Regulation S-X promulgated under the Securities Act. Management believes adjusted net income and adjusted earnings per diluted share supplement GAAP measures and enable management to more effectively evaluate the Company's performance period-over-period and relative to competitors.

The following table reconciles net income to Adjusted net income and calculates adjusted earnings per diluted share for the thirteen and twenty-six weeks ended June 26, 2021 and June 27, 2020 (in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Numerator:				
Net income	$ 11,312	$ 11,539	$ 24,472	$ 19,635
Adjustments:				
Gain on disposal of assets, net (a)	—	(2,016)	—	(2,016)
Tax effect of adjustments (b)	—	483	—	483
Adjusted net income	$ 11,312	$ 10,006	$ 24,472	$ 18,102
Denominator:				
Weighted-average shares outstanding - diluted	29,873	29,793	29,859	29,751
Adjusted earnings per diluted share	$ 0.38	$ 0.34	$ 0.82	$ 0.61

(a) Represents a gain resulting from the re-franchise of company-owned restaurants to a franchisee which is included in Gain on sale of restaurants and other expenses, net in the Consolidated Statements of Comprehensive Income.
(b) Represents the tax effect of the aforementioned adjustments to reflect corporate income taxes at an assumed effective tax rate of 24% for the thirteen and twenty-six weeks ended June 26, 2021 and June 27, 2020, which includes provisions for U.S. federal income taxes, and assumes the respective statutory rates for applicable state and local jurisdictions.

Results of Operations

Thirteen Weeks Ended June 26, 2021 compared to Thirteen Weeks Ended June 27, 2020

The following table sets forth our results of operations for the thirteen weeks ended June 26, 2021 and June 27, 2020 (dollars in thousands):

	Thirteen Weeks Ended		Increase / (Decrease)	
	June 26, 2021	June 27, 2020	$	%
Revenue:				
Royalty revenue, franchise fees and other	$ 33,135	$ 27,858	$ 5,277	18.9 %
Advertising fees	22,577	19,923	2,654	13.3 %
Company-owned restaurant sales	18,288	18,324	(36)	(0.2)%
Total revenue	74,000	66,105	7,895	11.9 %
Costs and expenses:				
Cost of sales (1)	14,207	13,387	820	6.1 %
Advertising expenses	23,301	20,424	2,877	14.1 %
Selling, general and administrative	16,066	13,375	2,691	20.1 %
Depreciation and amortization	1,523	1,398	125	8.9 %
Gain on sale of restaurants and other expenses, net	—	(2,016)	2,016	(100.0)%
Total costs and expenses	55,097	46,568	8,529	18.3 %
Operating income	18,903	19,537	(634)	(3.2)%
Interest expense, net	3,724	4,214	(490)	(11.6)%
Income before income tax expense	15,179	15,323	(144)	(0.9)%
Income tax expense	3,867	3,784	83	2.2 %
Net income	$ 11,312	$ 11,539	$ (227)	(2.0)%

(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 26, 2021, total revenue was $74.0 million, an increase of $7.9 million, or 11.9%, compared to $66.1 million in the comparable period in 2020. Royalty revenue, franchise fees and other increased $5.3 million primarily due to domestic same store sales growth of 2.1% as well as 184 net franchise restaurant openings since June 27, 2020. Advertising fees increased $2.7 million due to the 15.8% increase in system-wide sales in the thirteen weeks ended June 26, 2021 compared to the thirteen weeks ended June 27, 2020. Company-owned restaurant sales decreased slightly primarily due to a decline in company-owned same store sales of 3.1%, which was driven by both a decrease in transaction size and transactions. The decrease was partially offset by the acquisition of one franchised restaurant in the fourth quarter of the prior year and the opening of two company-owned restaurants in the current fiscal year, resulting in additional sales of $0.6 million.

Cost of sales. During the thirteen weeks ended June 26, 2021, cost of sales was $14.2 million, an increase of $0.8 million, or 6.1%, compared to $13.4 million in the comparable period in 2020. Cost of sales as a percentage of company-owned restaurant sales was 77.7% in the thirteen weeks ended June 26, 2021, compared to 73.1% in the comparable period in 2020.

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

	Thirteen Weeks Ended			
	June 26, 2021		June 27, 2020	
	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	$ 8,023	43.9 %	$ 5,954	32.5 %
Labor costs	3,774	20.6 %	4,687	25.6 %
Other restaurant operating expenses	2,820	15.4 %	3,086	16.8 %
Vendor rebates	(410)	(2.2) %	(340)	(1.9) %
Total cost of sales	$ 14,207	77.7 %	$ 13,387	73.1 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 43.9% in the thirteen weeks ended June 26, 2021, compared to 32.5% in the comparable period in 2020. The increase was primarily due to a 64.8% increase in the cost of bone-in chicken wings as compared to the prior year period, in which we experienced unusually significant deflation in the cost of bone-in chicken wings.

Labor costs as a percentage of company-owned restaurant sales were 20.6% for the thirteen weeks ended June 26, 2021, compared to 25.6% in the comparable period in 2020. The decrease as a percentage of company-owned restaurant sales was primarily due to a decrease in incentive pay provided to team members in response to the COVID-19 pandemic during the prior year period.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 15.4% for the thirteen weeks ended June 26, 2021, compared to 16.8% in the comparable period in 2020. The decrease as a percentage of company-owned restaurant sales was primarily a result of a decline in delivery fees as compared to the prior year period.

Advertising expenses. During the thirteen weeks ended June 26, 2021, advertising expenses were $23.3 million, an increase of $2.9 million compared to $20.4 million in the comparable period in 2020. 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 26, 2021, SG&A expense was $16.1 million, an increase of $2.7 million compared to $13.4 million in the comparable period in 2020. The increase in SG&A expense was primarily due to an increase of $2.0 million in headcount related expenses to support the growth in our business, an increase of $0.5 million in stock-based compensation expense, and an increase of $1.0 million in professional fees to support the Company's strategic initiatives. These increases were partially offset by a decrease of $1.0 million related to a donation made in the prior year period to the National Restaurant Employee Relief Fund to support restaurant workers in times of need.

Depreciation and amortization. During the thirteen weeks ended June 26, 2021, depreciation expense was $1.5 million, an increase of $0.1 million compared to $1.4 million in the comparable period in 2020.

Interest expense, net. During the thirteen weeks ended June 26, 2021, interest expense, net was $3.7 million, a decrease of $0.5 million compared to $4.2 million of interest expense, net in the comparable period in 2020. The decrease was due to the refinancing of our securitized financing facility on October 30, 2020, which increased our outstanding debt by $162.4 million and reduced our interest rate from 4.97% to 2.84%.

Income tax expense. During the thirteen weeks ended June 26, 2021, we recognized income tax expense of $3.9 million yielding an effective tax rate of 25.5%, compared to an effective tax rate of 24.7% in the prior year period. The slight increase in the effective tax rate was primarily due to the impact of certain stock awards issued during the period.

Twenty-Six Weeks Ended June 26, 2021 compared to Twenty-Six Weeks Ended June 27, 2020

The following table sets forth our results of operations for the twenty-six weeks ended June 26, 2021 and June 27, 2020 (dollars in thousands):

	Twenty-Six Weeks Ended		Increase / (Decrease)	
	June 26, 2021	**June 27, 2020**	**$**	**%**
Revenue:				
Royalty revenue, franchise fees and other	$ 64,741	$ 52,057	$ 12,684	24.4 %
Advertising fees	44,097	35,937	8,160	22.7 %
Company-owned restaurant sales	35,852	33,547	2,305	6.9 %
Total revenue	144,690	121,541	23,149	19.0 %
Costs and expenses:				
Cost of sales (1)	27,486	24,563	2,923	11.9 %
Advertising expenses	45,328	37,420	7,908	21.1 %
Selling, general and administrative	29,852	25,613	4,239	16.6 %
Depreciation and amortization	3,318	2,953	365	12.4 %
Gain on sale of restaurants and other expenses, net	—	(2,016)	2,016	(100.0)%
Total costs and expenses	105,984	88,533	17,451	19.7 %
Operating income	38,706	33,008	5,698	17.3 %
Interest expense, net	7,506	8,359	(853)	(10.2)%
Income before income tax expense	31,200	24,649	6,551	26.6 %
Income tax expense	6,728	5,014	1,714	34.2 %
Net income	$ 24,472	$ 19,635	$ 4,837	24.6 %

(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 twenty-six weeks ended June 26, 2021, total revenue was $144.7 million, an increase of $23.1 million, or 19.0%, compared to $121.5 million in the comparable period in 2020. Royalty revenue, franchise fees and other increased $12.7 million primarily due to domestic same store sales growth of 10.4% as well as 184 net franchise restaurant openings since June 27, 2020. Advertising fees increased $8.2 million due to the 22.3% increase in system-wide sales in the twenty-six weeks ended June 26, 2021 compared to the twenty-six weeks ended June 27, 2020. Company-owned restaurant sales increased $2.3 million primarily due to company-owned same store sales growth of 4.3%, which was driven by both an increase in transaction size and an increase in transactions. Also contributing to the increase was the acquisition of one franchised restaurant in the fourth quarter of the prior year and the opening of two company-owned restaurants in the current fiscal year, resulting in additional sales of $1.0 million.

Cost of sales. During the twenty-six weeks ended June 26, 2021, cost of sales was $27.5 million, an increase of $2.9 million, or 11.9%, compared to $24.6 million in the comparable period in 2020. Cost of sales as a percentage of company-owned restaurant sales was 76.7% in the twenty-six weeks ended June 26, 2021, compared to 73.2% in the comparable period in 2020.

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

	Twenty-Six Weeks Ended					
	June 26, 2021			June 27, 2020		
		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	$	15,327	42.8 %	$	11,431	34.1 %
Labor costs		7,502	20.9 %		8,211	24.5 %
Other restaurant operating expenses		5,448	15.2 %		5,652	16.8 %
Vendor rebates		(791)	(2.2) %		(731)	(2.2) %
Total cost of sales	$	27,486	76.7 %	$	24,563	73.2 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 42.8% in the twenty-six weeks ended June 26, 2021, compared to 34.1% in the comparable period in 2020. The increase was primarily due to a 44.9% increase in the cost of bone-in chicken wings as compared to the prior year period, in which we experienced unusually significant deflation in the cost of bone-in chicken wings.

Labor costs as a percentage of company-owned restaurant sales were 20.9% for the twenty-six weeks ended June 26, 2021, compared to 24.5% in the comparable period in 2020. The decrease as a percentage of company-owned restaurant sales was primarily due to a decrease in incentive pay provided to team members in response to the COVID-19 pandemic during the prior year period, as well as our ability to leverage costs due to the increase in company-owned same store sales of 4.3%.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 15.2% for the twenty-six weeks ended June 26, 2021, compared to 16.8% in the comparable period in 2020. The decrease as a percentage of company-owned restaurant sales was primarily a result of our ability to leverage costs due to the increase in company-owned same store sales of 4.3%.

Advertising expenses. During the twenty-six weeks ended June 26, 2021, advertising expenses were $45.3 million, an increase of $7.9 million compared to $37.4 million in the comparable period in 2020. 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 twenty-six weeks ended June 26, 2021, SG&A expense was $29.9 million, an increase of $4.2 million compared to $25.6 million in the comparable period in 2020. The increase in SG&A expense was primarily due to a an increase of $1.9 million in headcount related expenses to support the growth in our business, an increase of $1.5 million in stock-based compensation expense, and an increase of $1.2 million in professional fees to support the Company's strategic initiatives. These increases were partially offset by a decrease of $1.0 million related to a donation made in the prior year period to the National Restaurant Employee Relief Fund to support restaurant workers in times of need.

Depreciation and amortization. During the twenty-six weeks ended June 26, 2021, depreciation expense was $3.3 million, an increase of $0.3 million compared to $3.0 million in the comparable period in 2020. The increase in depreciation and amortization was primarily due to additional capital expenditures related to investments in technology.

Interest expense, net. During the twenty-six weeks ended June 26, 2021, interest expense, net was $7.5 million, a decrease of $0.9 million compared to $8.4 million of interest expense, net in the comparable period in 2020. The decrease in interest expense, net was due to the refinancing of our securitized financing facility on October 30, 2020, which increased our outstanding debt by $162.4 million and reduced our interest rate from 4.97% to 2.84%.

Income tax expense. During the twenty-six weeks ended June 26, 2021, we recognized income tax expense of $6.7 million yielding an effective tax rate of 21.6%, compared to an effective tax rate of 20.3% in the prior year period. The slight increase in the effective tax rate was primarily due to the impact of certain stock awards issued during the period.

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 26, 2021 and June 27, 2020 (in thousands):

	Twenty-Six Weeks Ended	
	June 26, 2021	**June 27, 2020**
Net cash provided by (used in):		
Operating activities	$ 31,612	$ 25,612
Investing activities	(12,421)	(370)
Financing activities	(11,806)	9,021
Net change in cash and cash equivalents	$ 7,385	$ 34,263

Operating activities. Our cash flow 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 flow from operating activities.

Net cash provided by operating activities was $31.6 million in the twenty-six weeks ended June 26, 2021, an increase of $6.0 million from cash provided by operating activities of $25.6 million in the twenty-six weeks ended June 27, 2020. The increase is the result of increased operating income associated with the increased sales over the prior period, partially offset by the timing of changes in working capital.

Investing activities. Our net cash used in investing activities was $12.4 million in the twenty-six weeks ended June 26, 2021, an increase of $12.1 million from cash used in investing activities of $0.4 million in the twenty-six weeks ended June 27, 2020. The increase in cash used in investing activities was primarily due to an increase in capital expenditures related to our investments in technology and the remodel of our corporate headquarters building, as well as a payment of $4.2 million related to a foreign investment in LPH (see Note 6 in the notes to our unaudited consolidated financial statements included elsewhere in this Quarterly Report).

Financing activities. Our net cash used in financing activities was $11.8 million in the twenty-six weeks ended June 26, 2021, a change of $20.8 million from cash provided by financing activities of $9.0 million in the twenty-six weeks ended June 27, 2020. The change was primarily due to borrowings under our 2018 Variable Funding Notes (as defined below) of $16.0 million in the twenty-six weeks ended June 27, 2020, which is partially offset by an increase in the amount of our regular dividend in June 2020.

Securitized financing facility. On October 30, 2020, the Company completed a transaction to refinance its existing securitized financing facility with a new securitized financing facility, pursuant to which Wingstop Funding LLC (the "Issuer"), a limited-purpose, bankruptcy-remote, wholly-owned indirect subsidiary of the Company, issued $480.0 million of its Series 2020-1 2.84% Fixed Rate Senior Notes, Class A-2 (the "2020 Class A-2 Notes"). The Issuer also entered into a revolving financing facility of Series 2020-1 Variable Funding Senior Notes, Class A-1 (the "2020 Variable Funding Notes," and together with the 2020 Class A-2 Notes, the "2020 Notes") which permits borrowings of up to a maximum principal amount of $50.0 million, which may be used to issue letters of credit. A portion of the proceeds of the 2020 Class A-2 Notes was used to repay the $332.8 million of principal outstanding on the existing Series 2018-1 4.97% Fixed Rate Senior Secured Notes, Class A-2 and Series 2018-1 Variable Funding Senior Secured Notes, Class A-1 (the "2018 Variable Funding Notes") and to pay a special cash dividend of approximately $148.4 million to our stockholders in December 2020.

The 2020 Class A-2 Notes are generally subject to 1% annual amortization, bear interest at a fixed rate of 2.84% per annum, and have an anticipated repayment date of December 2027.

Dividends. We paid a quarterly cash dividend of $0.14 per share of common stock in each of the first two quarters of 2021, resulting in aggregate dividend payments of $8.4 million during the twenty-six weeks ended June 26, 2021. On July 27, 2021, the Company's Board of Directors approved a dividend of $0.17 per share, to be paid on September 3, 2021 to stockholders of record as of August 13, 2021, totaling approximately $5.1 million.

We do not currently expect the restrictions in our debt instruments to impact our ability to make regular 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

During the thirteen weeks ended June 26, 2021, there were 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 7 and 8 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 $3.5 million at June 26, 2021. 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," "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 below and elsewhere in this report, 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;
- risks associated with the availability and cost of labor;
- 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. 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

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 34.8% and 25.4% of our company-owned restaurant cost of sales during the twenty-six weeks ended June 26, 2021 and June 27, 2020, respectively. We anticipate that the increased demand and cost of bone-in chicken wings will continue throughout fiscal year 2021 due to several challenges, such as labor shortages, which currently impact the poultry industry. A hypothetical 10% increase in the bone-in chicken wing costs would have increased costs of sales by approximately $1.0 million during the twenty-six weeks ended June 26, 2021. We do not engage in speculative financial transactions nor do we hold or issue financial instruments for trading purposes.

Interest Rate Risk. Our long-term debt, including current portion, consisted entirely of the $478.8 million incurred under the 2020 Notes as of June 26, 2021 (excluding unamortized debt issuance costs). The Company's predominantly fixed-rate debt structure has reduced its exposure to interest rate increases that could adversely affect its earnings and cash flows, but the Company remains exposed 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. The Company is exposed to interest rate increases under the 2020 Variable Funding Notes; however, the Company had no outstanding borrowings under its 2020 Variable Funding Notes as of June 26, 2021, net of letters of credit issued of $3.5 million.

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 26, 2021, 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 as of June 26, 2021, 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 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

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our Annual Report.

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, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 27, 2020 (File No. 001-37425) and incorporated by reference herein.
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.
(Registrant)

Date: July 28, 2021

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

Date: July 28, 2021

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

Exhibit 31.1

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

I, Charles R. Morrison, certify that:

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

Date: July 28, 2021

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 28, 2021

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 26, 2021 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 28, 2021

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 26, 2021 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 28, 2021

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