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Insights



EPS of \$1.03 **beats by \$0.16** | Revenue of \$171.09M (17.36% Y/Y) **beats by \$150.48K**

Wingstop Inc. (NASDAQ:[WING](#)) Q1 2025 Results Conference Call April 30, 2025 10:00 AM ET

Company Participants

Kristen Thomas - Senior Manager of Investor Relations

Michael Skipworth - President and Chief Executive Officer

Alex Kaleida - Senior Vice President and Chief Financial Officer

Conference Call Participants

Jeffrey Bernstein - Barclays
David Tarantino - Baird
Danilo Gargiulo - Bernstein
Brian Harbour - Morgan Stanley
Andrew Charles - TD Cowen
Chris O'Cull - Stifel
Andy Barish - Jefferies
Sara Senatore - Bank of America
Christine Cho - Goldman Sachs

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Wingstop Fiscal First Quarter and 2025 Earnings Conference Call. All participants will be in listen-only mode. Please note that this conference is being recorded today, Wednesday, April 30, 2025.

On the call today are Michael Skipworth, President and Chief Executive Officer; Alex Kaleida, Senior Vice President and Chief Financial Officer and Kristen Thomas, Senior Manager of Investor Relations.

I would now like to turn the conference over to Kristen. Please go ahead.

Kristen Thomas

Thank you, and welcome to the fiscal first quarter 2025 earnings conference call for Wingstop. Our results were published earlier this morning and are available on our Investor Relations website at ir.wingstop.com.

Our discussion today includes forward-looking statements. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties that could cause our actual results to differ materially from what we currently expect. Our SEC filings describe various risks that could affect our future operating results and financial condition.

We use certain non-GAAP financial measures that we believe can be useful in evaluating our performance. Presentation of such information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. Reconciliations to comparable GAAP measures are contained in our earnings release.

Lastly, for the Q&A session, we ask that you please each key to one question and a follow-up to allow as many participants as possible to ask a question.

With that, I would like to turn the call over to Michael.

Michael Skipworth

Thank you, Kristen, and good morning, everyone. The start to 2025 has been one that has been underscored by uncertainty. Despite increased uncertainty across the consumer landscape, our Q1 results showcase the resiliency of the Wingstop brand and the staying power of our long-term strategies. I want to start by thanking our team members, brand partners and supplier partners for their tremendous efforts that position us to deliver these strong results while continuing to serve our guests that high-quality indulgent flavor they've come to appreciate with Wingstop. It is moments like this that demonstrate the excitement and enthusiasm for Wingstop's potential.

My comments today will be divided into two parts. First, discussing the current macro environment. And then I want to provide a couple of progress updates on our strategy and the long-term opportunity for Wingstop, which I believe is and will continue to be the best story in the restaurant industry. As you have seen in the consumer data and have heard from several other companies that have reported, 2025 has proven to present a dramatically different macro operating environment that we experienced in the last couple of years. Consumer sentiment has dropped to its second lowest level since 1952, even surpassing pandemic levels.

While I believe it is impossible to know with certainty, this current macro environment feels similar to consumer pullbacks we have seen before. Indicators we see in our business show pockets where the consumer has an elevated level of concern as they face the macroeconomic uncertainty. That being said, we don't believe what we are seeing is broad-based, but rather concentrated among certain geographies, which suggests to us more of a near-term issue. During our 21 consecutive years of same-store sales growth, we have navigated similar periods of temporary consumer pullback in years such as 2017, 2020 and 2022. We experienced the consumer navigating a more challenging macro and elevated anxiety levels that created unpredictability with consumer spending. In a macro environment like today or even in those prior examples, we believe the consumer can show a near-term reaction to reserve cash and reprioritize spending.

That being said, we've navigated these situations effectively in our past and as evidenced by the strength of our model, delivering industry-leading returns for our brand partners. In our first quarter, we are lapping two consecutive years of over 20% same-store sales growth. I'm proud to report that we were able to deliver same-store growth inclusive of transaction growth on these incredibly difficult labs. Our comp of 0.5% includes impacts from the California fires, more severe winter weather events in the Southeast and the macro backdrop we're now operating in. However, we have not slowed our pace of development, which is on an accelerated pace this year.

We opened a record 126 units in the first quarter. Digital sales increased to 72%, adjusted EBITDA increased 18.4% to \$59.5 million. These strong results are a demonstration of the success and staying power of our strategies. Despite the headwinds confronting us and many others, we remain focused on executing on our long-term strategy and the incredible opportunity that is in front of us, scaling AUVs to \$3 million and expanding our footprint to over 10,000 restaurants globally.

We will continue to execute our proven strategies which consist of scale and brand awareness, driving menu innovation, expanding our delivery channels, leveraging data-driven marketing and enhancing our digital transformation. It is clear to us the impact our strategies are having on our business. The underlying fundamentals of our business remains strong. Our guest scores and survey data showcase that brand love is at an all-time high, guests are telling us they want to engage with a trusted brand like Wingstop and one that can reliably deliver quality and value. We're measuring record levels on brand health metrics while the broader restaurant benchmarks show declines. Operating KPIs at the restaurant level continue to improve. In the month of March, we had our largest single month of guest acquisition on record. We believe the strengthening of our underlying fundamentals position us to emerge from this macro environment in an even stronger position with the consumer.

I mentioned the record-breaking 126 new restaurants we opened in Q1, something that has exceeded our expectations. Restaurant development is a key enabler for building brand awareness. Coupling that with an ad fund that is growing by double-digit percentage this year, we're continuing to have the fuel to invest in meaningful ways to bring awareness to that indulgent Wingstop occasion.

Our partnership with the NBA is proving to be valuable as we see top-tier presence with the -- any game and on broadcast messaging. In fact, Wingstop was the most seen brand during NBA games this season, enabling our strategy to drive brand awareness. Our creative features our new crispy chicken tenders that was relaunched this past quarter in which guests can get soft in [Indiscernible] in any one of our 12 bold distinctive flavors.

Similar to the chicken sandwich, tenders represent a meaningful opportunity and an adjative demand space for us to access our fair share. We create excitement around our launch. We opened a pop-up bar in Brooklyn, the first of its kind. That was a bar entirely dedicated to chicken tenders. We called it bartender. The response was impressive with thousands of RSVPs in the first hours and lines wrapped around two city blocks. Although it is still early, initial observations suggest that the new tender guests exhibit similar characteristics and behaviors to those seen with the launch of our Chicken sandwich where the guests visited the first time as an individual occasion rather than a group.

Expect to hear more from us in 2025 to showcase what we believe is the best tender out there. We've grown to more than 2,600 restaurants and have eclipsed \$2 million AUVs with essentially the same simple menu and model from our first restaurant that opened in 1994 in Garland, Texas. Not much has changed in our kitchens to get us to this point, still operating with paper kitchen tickets and limited back-of-house technology integration.

As a brand, we challenged ourselves to finally to leverage technology to drive more consistency and further enhance the quality that we deliver within our indulgent Wingstop occasion. That journey started two years ago. We started with serving tens of thousands of consumers both Wingstop guest and non-Wingstop guests, going deep to understand all restaurant occasions and for each of those occasions, clearly defining what's important to those guests.

We also assess where we best fit in the demand space and how we win more of their consideration set. The punch line is that there is not a fundamental shift needed in our menu or strategies to deliver \$3 million AUVs. But yet, we have an opportunity around speed of service and consistency. Today, as we size up our core demand space, we are only winning 1% share. However, benchmarking other large, more mature QSRs, they are winning 20% of their respective demand space.

We also clearly understand that what consumers expect within the occasion we are targeting. They expect high-quality food, value through a group occasion and an indulgent experience. Wingstop nailed it on all three. In our last earnings call, we announced our new kitchen operating platform, which we're referring to internally as the Wingstop Smart Kitchen. We believe our new kitchen operating platform can further enhance the value proposition for both new and existing guests. Our standard quote time is roughly 20 minutes at its best today. And we encounter variability in demand during our busiest hours.

We can see quote times reach 4-5 minutes or higher and managing guest expectations through an accurate quote time is a manual process today, and we know that this can lead to an inconsistent guest experience. But when we get it right, there is nothing that compares to that first bite experience we can deliver.

Consider this, our AUVs are \$2.1 million, and yet we're only gaining 1% of our fair share. There is a significant amount of unmet demand that Wingstop is best positioned to win. Our investments in our proprietary technology opportunity to build brand awareness and expanding delivery are key strategies in that journey to capturing more of our fair share. Just one more visit per guest per quarter translates to a significant step towards our \$3 million target. And this is where Wingstop Smart Kitchen enters into the equation.

Over the past two years, while same-store sales grew 40% stacked, we were focused on executing against our long-term strategies and investing to make sure we were well positioned for our next phase of growth. The Wingstop Smart Kitchen is the interplay of software and hardware. This is a technology solution we codeveloped with the start-up that has built for Wingstop, customized for our menu, our guests and our team members. Through the deployment of this new kitchen operating platform, we have seen consistent order times that are half of our standard quote time, and we believe unlock new dayparts and increased order consistency. The solution set includes three elements: an AI-driven demand forecasting technology, a gamified highly visual kitchen display system and a customer-facing status tracking, order ready screen.

This platform has a demand forecast that is integrated into kitchen operating system, providing role clarity and efficiency for team members improving accuracy and in turn, helping to deliver a 10-minute average ticket time. Not only is this over a 50% reduction in ticket times, it's also delivering a consistent guest experience and improving product quality. We have made great progress in our rollout. At the end of Q1, we have deployed the Wingstop Smart Kitchen in over 200 restaurants. We are pleased with the early results we've seen, including improvements in overall satisfaction and cutting quote times in half.

Sales for these restaurants versus control restaurants are outperforming. We are targeting to have the rollout complete by year end. This is truly a game changer for our guests. It's a game changer for our team members, and it's a transformation in our restaurants that we believe will be a catalyst on our path to \$3 million AUVs.

Over the years, we have demonstrated our ability to innovate and maintain discipline around investments that we believe drive the business for the long term. In 2023, we made investments into our database to enrich and build robust guest profiles. This led to our Wing IDE platform, unlocking first party data capture at scale and laid the foundation to personalized experiences across channels.

In 2024, MyWingstop was the next step to enable this personalization through a seamless and best in class digital ordering experience. Wing IDE is allowing us to execute hyper personalization strategies designed to create loyalty like behaviors with our guests. Since we launched MyWingstop, we've been mining for insights and learning which strategies are proving to be most effective.

But we aren't stopping there. With our aspirational goal of digitizing every transaction, we are focused on elevating the end to end guest experience, and that next natural evolution for us will be a loyalty program. With a database that has scaled to over 50 million users, as well as our new Wingstop Smart Kitchen innovation, we believe the timing is now right for us.

We have an opportunity to drive frequency and retention by rewarding repeat behavior and tap into that emotional connection our guests have with our brand. Supercharged by Wing IDE, our loyalty program will drive a one to one experience and unique access to the brand. We believe our loyalty program will be distinctive in the industry because we're not taking the typical transactional approach within our design. The level of insights we have with our guests today plays a big role in informing the executional elements of a loyalty program. We are excited to share more about our loyalty program in the coming quarters and intend to pilot the program in the fourth quarter of this year and plan for a system wide launch in 2026.

It's investments such as the ones we've made in our digital technology platform that allow us to maintain our industry leading unlevered, cash on cash returns of 70% our brand partners enjoy. Essential to a successful franchise system is the unit economics, and we believe we have the best in the industry. Our supply chain strategy continues to provide a level of predictability into food costs that we have not seen in the past. Coupling food cost predictability with our average unit volumes of more than \$2.1 million our brand partners are seeing cash flows at record levels.

And in turn, they are investing behind their infrastructure and operations to scale their businesses alongside this growth. The biggest testament to the strength of our unit economics, especially in this current macro environment, is our brand partners' demand for growth. Average new restaurant volumes are on pace to exceed \$1.8 million in the latest vintage, which compares to \$1.2 million just three years ago. We opened a record 126 net new restaurants in Q1 and updated our guidance to 16% to 17% unit growth in 2025. This implies net new units of between 410 to 435 globally. As we mentioned last quarter, our global development agreement pipeline had over 2,000 restaurant commitments at the start of the year. This demand for growth continues to build and extends beyond our domestic business. The demand is just as strong in our international business, which also delivered strong Q1 results.

We opened a new market in a marquee flagship location in Kuwait, which in its first week open, broke the record for highest global weekly sales. Not only are we opening more restaurants, we're opening stronger than ever, and there's incredible levels of pent up demand across the globe.

Take our Puerto Rico market, for example. We opened our first restaurant in that market one year ago and already have nine restaurants open with sales pacing ahead of the U.S. average. Next on the horizon is the launch of our Australia market, with the first restaurant opening in Q2. We have a proven operator who is set on opening over 100 restaurants in Australia with the potential for many more on our journey to opening over 10,000 restaurants across the globe. We now anticipate opening as many as five new markets in 2025.

Within the context of this more challenging macro operating environment, I firmly believe that 2025 will be another proof point for the resiliency of our model and will continue to deliver industry leading returns for our brand partners and shareholders. We will remain disciplined on the investments that fuel this growth over the long term and are confident in our strategies we are executing to scale Wingstop into a top 10 global restaurant brand.

With that, I'd like to turn the call over to Alex.

Alex Kaleida

Thank you, Michael. Wingstop has undergone quite a transformation in the last couple of years that's positioned us for our next phase of growth. AUVs have scaled by over \$500,000 from \$1.6 million to over \$2.1 million in just two years. We've opened nearly 700 restaurants since Q1 of 2023. To frame the impact from development and showcasing our asset light model, adjusted EBITDA is now more than \$220 million on a trailing twelve month basis. And we entered the first quarter in a position of strength with the consumer, while they are faced with an increased level of uncertainty. This uncertainty, however, does not change our strategies and where we believe our opportunities to invest and as Michael mentioned, maximize returns for our brand partners and shareholders.

In the first quarter, system wide sales increased 15.7% reaching \$1.3 billion the highest system sales recorded in the single quarter in our brand's history. Our brand partners' confidence in our strategies and our best in class unit economics is evident in both our pipeline and our unit growth.

We opened over 400 net new restaurants in the last twelve months. This growth creates a flywheel for us providing additional fuel for our advertising fund to invest behind our opportunity to chip away at a double digit gap in brand awareness.

In the first quarter, total revenue increased 17.4% to \$171 million versus the prior year. Royalty revenues, franchise fees and other revenues increased by \$11.7 million in Q1, driven primarily by 409 net franchise openings since the prior year comparable period and a 0.5% increase in domestic same store sales. Company owned restaurant sales increased \$1.5 million in Q1 due to same store sales growth of 1.4%, primarily driven by transactions and one net new restaurant versus the prior period.

In the first quarter, SG&A increased \$6.3 million versus the prior year comparable period to a total of \$31.4 million. This increase was driven by investments to support the long term growth of the business through headcount related expenses, plus \$1.8 million of non-recurring system implementation expenses, as well as transaction costs related to the sale and reinvestment of our interest in Lemon Pepper Holdings, our brand partner in the UK.

The recent transaction by our brand partner, Lemon Pepper Holdings, was a great example of the value creation Wingstop's model can provide, another proof point of the brand's portability and industry leading returns outside of the U.S. About three years ago, we invested a modest \$4 million into Lemon Pepper Holdings and took a minority equity position in the business. As a result of the closing of the sale of their business, we recognized a gain of \$92.5 million which was recorded in the first quarter. Confident in the long term opportunity within our UK business, we reinvested approximately \$75 million of the proceeds, initiating a minority equity position into the newly formed acquisition entity.

We believe our international business continues to be supercharged for growth and we see this as an example to maximize shareholder returns and plan to seek out similar investments around the globe as we open new markets.

Adjusted EBITDA, a non-GAAP measure, was \$59.5 million during the quarter, an increase of 18.4% versus the prior year. This marked our largest first quarter on record and represents an increase of more than \$25 million when compared to the first quarter in 2023. Reported EPS for the first quarter was \$3.24 per diluted share, a more than 200% increase versus the prior year. Note the quarter included a few non-recurring items. The net gain from the LPH transaction previously mentioned along with associated transaction costs and taxes, our system implementation costs and the loss on the sale of an office building.

After adjusting for non-recurring items, we delivered adjusted earnings per diluted share in non GAAP measure of \$0.99 a 1% increase versus the prior year. This includes a \$0.19 EPS impact from the additional interest expense associated with our \$500 million securitization transaction completed at the end of 2024.

We remain committed to enhancing shareholder returns. On our last call, we announced our \$500 million share repurchase authorization program. And to further demonstrate our commitment to shareholders, we entered into an accelerated share repurchase agreement to repurchase \$250 million of our common stock that concluded prior to quarter end. Throughout the first quarter, the company repurchased and retired 830,012 shares of its common stock at an average price of \$257.4 per share, which included open market repurchases. At the end of the quarter, \$191.3 million remained available under our existing share repurchase programs.

Additionally, on April 29, our Board of Directors approved a dividend of \$0.27 per share of common stock, a demonstration in the strength of our model. This dividend totaling approximately \$7.5 million will be paid on June 6, 2025 to stockholders of record as of May 16, 2025.

Now moving on to our outlook for 2025. Our outlook is dependent on the macroeconomic conditions and with the heightened level of uncertainty, we are basing this on the information we have today. We are providing the following updates: domestic same store sales growth of approximately 1% for fiscal year 2025, previously low to mid-single digits same store sales growth. For modeling purposes, our outlook reflects the trend at the start of the second quarter that is tracking to same store sales decline by approximately mid-single digits versus the prior year, which is primarily due to the strength of our laps in the prior two years. The second quarter is lapping a two year comp of 45.5%, almost entirely driven by transaction growth. This compares to the first quarter lap of 41% on a two year basis. As the lap for comps ease in the second half, we anticipate returning to growth through the third quarter.

Demonstrating the strength of our model and visibility into our pipeline at this point, our net new global unit growth rate is increasing to 16% to 17%, previously 14% to 15%. Net interest expense is now anticipated to be approximately \$40 million previously \$46 million. This reduction is due to the interest income associated with our reinvestment in our UK brand partner.

Additionally, we are reiterating the following guidance. SG&A is estimated to be approximately \$140 million which includes non-recurring system implementation costs of \$4.5 million that will be an add back to adjusted EBITDA and approximately \$26 million of stock based compensation. As a result of these assumptions and for modeling purposes, this translates to an estimated adjusted EBITDA growth rate of 15% versus 2024 and is consistent with what we communicated in our last earnings call.

2025 will be another testament to the resiliency of the Wingstop model, particularly given the current macro environment and the level of uncertainty. Our strategies are working and we're continuing to invest behind our strategy that will position us for sustained growth over the long term. We're delivering predictable food costs for our brand partners. With this predictability along with unlevered cash on cash returns of over 70%, our brand partners are accelerating their development and opening more Wingstops at a record level. It's positioned us well on our path to becoming a top 10 global restaurant brand.

I want to thank our global support team members, restaurant team members, brand partners and supplier partners. We believe we have the best team in the industry that will allow us to navigate the evolving economic backdrop and we'll remain focused on executing our proven strategies.

With that, I'd like to now turn to Q&A. Operator, please open the line for questions.

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions] Our first question today is from Jeffrey Bernstein with Barclays. Please go ahead.

Jeffrey Bernstein

Great. Thank you very much. My question is related to the comp outlook for 2025. You're now forecasting 1%, so really no range at all after the low-single digit to mid-single digit just a couple of months ago, which was more like a 5%, 6% type range. So you would think the line of sight is more limited today with the newfound macro headwinds. I'm just curious if you'd be willing to share color on just to give some insight the sequential trends to the first quarter, your expectations were down 5% in the second quarter? Any kind of color you can provide, especially as again it seems like a fairly narrow full year target. So any color you could provide on the second quarter and your assumption for the back half of the year would be great. And then I had one follow-up.

Alex Kaleida

Hey, Jeff. Good morning and thank you for the question. As we went into this year, we obviously expected the first half to be tougher than the second half and it's really simply a function of the numbers we're growing up against, not just on a one year basis, but on a two year basis. And I think as you heard from a lot of other brands who have reported, we saw in the first quarter an impact associated with the fires in California and then obviously the unseasonal winter weather. But as we exited Q1, we did see, obviously, everyone saw a broader pullback in consumer confidence as they're navigating the uncertainty in the macro.

But as we referenced on our last call, what we really saw in our business wasn't something that was broad based necessarily. We actually saw this more in specific pockets and it was pockets that really kind of over indexed to that Hispanic consumer lower middle income and where we saw a meaningful pullback in our business, which as we look back over some prior instances in our 21 years of same store sales growth, this looks and feels similar to some of those pullbacks that we've seen in certain pockets. But again, it's not something that we're seeing broad based in our business.

And as we look at the underlying health of our brand and compare this current environment to what we've seen before, it does feel like a near term pullback. And so as we thought about our guidance and the current trend from Q1 into Q2 and in the balance of the year, it is primarily a function of the numbers we're going up against. And we remain extremely confident in the strategies that we're executing and the underlying health of the business.

Jeffrey Bernstein

Understood. And if you're able to nail this at the end of this year with a 1% comp, you'll be viewed quite favorably in terms of your visibility.

My follow-up question is just on the franchisees. Presumably, most are very happy with the sales growth the past two years and as you mentioned, the 70% cash on cash returns they're generating. But with that said, you'd think the current environment would be quite challenging. So I'm wondering if you could talk a little bit about the recent conversations you've had with franchisees, what are they most focused on? The fact that you're able to raise your unit growth guidance this year in an environment like that is quite impressive. So just curious to hear what's on franchisees mind as they think about accelerating growth? Thank you.

Michael Skipworth

Yeah. Thank you, Jeff, for that question. It's a great one. In full transparency, there's not a lot of conversations with our brand partners that are centered around same store sales growth. They look at their business a little bit differently. As Alex mentioned in his prepared remarks, over two years, our AUVs have grown \$500,000 and at that same time, we've advanced our supply chain strategy to create predictability and food cost. And that's actually translated to their returns just strengthening. And so the conversations we're having with our brand partners, really centered around unit growth. And I think you saw that show up in a big way in Q1, a record quarter for us, something we're really proud of.

And as we look at our pipeline today and demand for growth from our brand partners who are taking their capital and investing it in Wingstop, it gives us a lot of confidence to sit here and see what is shaping up to be a record year from a development perspective. And so those conversations are really centered around access to more territory, more unit growth. And it really gives us confidence in that long term opportunity we see in front of us to take a brand that's at over 2,600 units today and scale it to over 10,000 globally.

Alex Kaleida

And Jeff, this is Alex. Just to add one point, we had about 50 different brand partners open a restaurant in the first quarter and we opened a restaurant in 11 different markets, 33 states. So I think that's a good testament to this strategy we're working at the market level to execute our playbook on development.

Jeffrey Bernstein

Thank you.

Operator

The next question is from David Tarantino with Baird. Please go ahead.

David Tarantino

Hi, good morning. My question is about the Smart Kitchen and what you're seeing there. I was hoping maybe you could give us a bit more insight on the comps impact or the sales impact when you roll it out? Is it relatively immediate that you see the benefits and or does it take time to play out given consumers may not notice it right away? Any color you could offer there including if you're willing to talk about maybe the magnitude of what you're seeing in terms of the sales lift? Thanks.

Alex Kaleida

Good morning, David. This is Alex. Yeah, we had about to start the year about half of our company owned restaurants operating with the Wingstop Smart Kitchen. And you're right, there is a little bit of a lag because we're not advertising, we're not actively telling consumers about the change. But what we're measuring as the restaurants get more time and demonstrate that consistency and speed and that high quality indulgent experience we can deliver, we are seeing a positive divergence in sales trends versus control restaurants for the ones that have been operating with the Smart Kitchen.

I'll give you another example as well. We just completed the rollout this past quarter of our Dallas Fort Worth market and we initiated a small test within our delivery marketplaces. Same creative, same promotion relative to markets outside of the Dallas Fort Worth area. And we saw a 5% increase early on in conversion in the Dallas restaurants relative to those markets outside of Dallas. So we're really encouraged early on by what we're seeing. We're measuring a consistent we're seeing increased guest satisfaction scores because we're delivering that consistent and that faster service time for our guests.

David Tarantino

Great. And I guess a follow-up is, is this factored into your second half outlook as you roll this out or I guess there's going to be questions about how you accelerate from what you're running now into the back half. And I know you mentioned the comparisons, but is this one of the reasons to believe that outlook is achievable?

Alex Kaleida

Yeah, David. I think as we thought about the outlook for this year, it really contemplated the strategies that we're executing against around continuing to expand brand awareness. And I think you saw the strength of our unit growth really show up in a big way in Q1 where comps grew by 0.5%. But based on the unit development number we delivered, system sales grew by 16%, giving us continued dollars into our ad fund to drive brand awareness. And you continue to work down to things like tenders and menu innovation, the opportunity we have there that we think is going to perform in that consumer behave very similar to what we saw with chicken sandwich. It gives us a lot of excitement there. We can talk about our LTO calendar and what's coming there from a flavor perspective that we're excited about to drive indulgent occasions. And then obviously digital, continuing to acquire new digital guests, continue to target our marketing to those guests with the right message to the right mediums, then obviously personalization.

And so we feel confident that our strategies that we're executing are proven and something that will allow us to deliver on that comp number, that we shared. And it's really just kind of a function primarily of the easing of the compares that we see returning to the positive growth in the backhalf of the year.

That said, to your initial question, that guidance does not contemplate a benefit associated with the Wingstop Smart Kitchen and we're excited about what that means for our business, not only just near term, but long term. We see it as a true game changer. Our brand partners are excited and we mentioned on the call that we are over 200 restaurants at the end of Q1, but the rollout is pacing nicely. And by the end of this week, we're going to be at roughly 400 restaurants that have the Smart Kitchen solution.

David Tarantino

Got it, thank you very much.

Operator

The next question is from Danilo Gargiulo with Bernstein. Please go ahead.

Danilo Gargiulo

Great. First of all, I'd like to ask something about the international expansion. So can you talk a little bit more about the new five markets of entry? And how far along are you on the launch and expanding Wingstop in China? And specifically, like how much of the 10,000 unit growth potential depends on expansion in China?

Michael Skipworth

Danilo, good morning and thank you for the question. You've heard us over the years, recent years, talk about our international business being supercharged for growth. And we're really excited about the momentum that we have in the business there. The business continues to perform well from a same store sales perspective. It is performing stronger than our U.S. business, which we're excited to see. We referenced a record opening in Kuwait this last quarter that we're really excited about.

And then if you look at just from a unit development perspective, we had a record for our international business on a net new units perspective for Q1 out of any quarter, and we're excited about that. I think it speaks to the strength of that business, the strength of our strategy. We have opened a couple of new markets in the GCC that are performing great. We referenced Australia as another market that's coming online later this quarter. And then we do have additional markets that we haven't announced yet that are close, that we anticipate opening this year as well.

In China, it remains a big opportunity for us, and it's obviously something we're navigating in a very thoughtful and intentional way, particularly when you consider this current macro or this current geopolitical environment. But it's we still remain confident in the long term that that's a meaningful opportunity for us and for Wingstop. And we've done a lot of work around understanding that consumer, understanding the brand positioning and understanding the partner landscape in there. But it's nothing that I would say is being prioritized right now in light of the current geopolitical environment.

But I think another opportunity that we're equally excited about is India, a market that we think can be a pretty meaningful opportunity for Wingstop and is a big part of that overall 10,000 global unit opportunity.

Danilo Gargiulo

Great. Thank you. And then the tenders, I mean the relaunch of tenders, seems to be an opportunity to supercharge your launch daypart, even more kind of handheld similar to the chicken sandwich. So can you share the early learnings from the relaunch? How you're planning to integrate into menu expansion and target new consumer occasions?

And then if you can also comment on the strategic positioning to differentiate it in light of potentially competing launches like McDonald's and others? Thank you.

Michael Skipworth

Yeah. We're really excited about tenders, and we think it's a meaningful opportunity for us. We referenced the launch the relaunch, if you will of our new Crispy Tenders in Q1 and we're extremely excited about the early results we're seeing. We referenced that in March, we saw a record level of new guest acquisition, which I think just speaks to the opportunity we have in front of us.

And as we look at these new guests that are coming into our brand via tenders, they look and behave a lot like those chicken sandwich guests that we brought in. And what we saw where those chicken sandwich guests typically came in as an individual eater occasion, but then came back and learned to navigate the rest of the menu more of a group occasion and Wingstop became more of their overall consideration set. And we see the same opportunity with tenders. And that's what gives us a lot of confidence in the opportunity we have there is what we're seeing in the early data and how the consumer is engaging with us.

And we think just like sandwich, we can differentiate really well in the marketplace because most places give you one tender and one dip. And at Wingstop, you can get it soft and tossed in our 12 bold and unique flavors, as well as our iconic ranch or blue cheese. And so we think we have a real opportunity to win our fair share of tender occasions. And we feel like we're just scratching the surface there.

As far as daypart mix, we've actually seen our tender sales from since the relaunch be pretty balanced across dayparts, which we're encouraged by. And so we think there's balanced growth and continued opportunities for us to win more occasions, but then also focus on the data that we're obtaining on these new guests and driving them for that repeat visit and then continuing to work them up the frequency curve similar to what we did with sandwich.

Operator

The next question is from Brian Harbour with Morgan Stanley. Please go ahead.

Brian Harbour

Yeah, thanks. Good morning, guys. As I recall, back in '20 -- I think the way you're thinking about this year looks kind of like 2022. As I recall at that point, we were all worried about a recession in the first half of the year. And I think you called out kind of some similar customer groups that had pulled back. Is that the case, right? I guess -- I was also under the impression that maybe there were some shifts in sort of your customer base since that time. How is that different versus a few years ago, for better or for worse?

Michael Skipworth

Yeah, Brian. I think you said it well. That is what we've it looks like we see in the business today. In the data we have and what we're tracking, it looks like very similar behavior to what we saw in 2022 as an example. And it's where the consumer in certain pockets demonstrated a near term pullback and then things normalize after a period of time.

I think for us today, our customer base has evolved a little bit. Obviously, we've brought in and what we've talked about is a lot of guests, those heavy QSR guests that look a little bit different than our traditional guests, a little bit higher income, a little bit less ethnically diverse and engage prefer to engage with brands digitally and off premise through the delivery channel.

And so we have seen a little bit of a diversification in our customer base. But what we -- and because of that, I think it's why we commented that we're not really seeing this broad based, but more specifically in pockets. There are areas of our business that are performing quite well in this environment. And so I think for us, it does feel like this is kind of a little bit of a temporary near term pullback in certain pockets that we feel comfortable we can navigate again. I would say the big difference against 2022 is just the strength of the compares that we're going up against.

Brian Harbour

Yeah, makes sense. How is delivery faring within is it growing faster, is it growing slower right now? Like what are you seeing in delivery trends? And I guess you cite that as something you want to continue to grow. How are you going to be doing that actively this year?

Michael Skipworth

Yeah, Brian, I think we've seen pretty consistent growth in the delivery channel. It continues to perform well for us and I think it really speaks to just the overall opportunity we have in that channel, where we know that we're still just scratching the surface with -- if you look at the number of eaters on Uber Eats platform or DoorDash platform that have engaged with our brand, we see a ton of opportunity there.

And I think Alex mentioned it earlier when we talked about the Wingstop Smart Kitchen. But in DFW, we are seeing a little bit of an early indication in that opportunity we have where when we get below a certain threshold on delivery time, you're just you're in the consideration set. And so the same creative, the same ad in a market with a faster delivery time, we're seeing a much higher conversion rate on that and that shows to us is a pretty strong proof point of the opportunity we have with delivery.

Brian Harbour

Thanks.

Operator

The next question is from Andrew Charles with TD Cowen. Please go ahead.

Andrew Charles

Great. Thank you so much. I understand the message is that the softness you're seeing in the consumer is really in pockets. But given success of the development strategy based on the strength of your franchisee cash flows, I'm wondering if you're seeing a more pronounced impact of sales transfer on mature stores as franchisees have increased desire to take advantage of the brand's robust cash on cash returns.

So maybe just said differently, can you speak to how much sales transfer you're observing within reported same store sales versus what you may have observed a year or two ago? And then I have a follow-up.

Michael Skipworth

Yeah, Andrew. Good morning and thank you for the question. I think what I would say is, we've talked about just the number of restaurants in our portfolio today that are already above that \$3 million AUV. I think it's roughly 10%, a little bit more than that.

And we've talked over the years how that there are instances where our brand partners will be intentional about taking some pressure off of some really high-volume restaurants, and that allows them to maximize their overall returns on investment, but also provides a solid guest experience and improved overall operations for the team. And so I would say that continues to happen.

And as we look at -- and it's natural in this environment to take a hard look at what's driving the trends you're seeing in the business. And I would say, as we look at any sort of impact as it relates to new restaurants opening on the overall business and the overall comp, it's not a material change or anything to call out from what we've seen historically. I think, again, it really points back to these pockets of certain cohorts that are primarily a Hispanic consumer, lower middle income where we are seeing a bit of a temporary pullback in overall restaurant purchases.

Andrew Charles

Okay. That's very helpful. Thanks. My other question was just around CRM and now the loyalty program coming online. It was about five months ago that you were able to start doing the CRM efforts to about 50 million e-mail database users. So I'm curious what the learning was to make this into a formal loyalty program rather than just continue with the CRM efforts that you have in place.

Alex Kaleida

Yeah, Andrew, good morning. This is Alex. It's a little bit of both. We're going to continue to work our hyper personalization strategies. And as we think about our demand space to win our fair share of that an opportunity to go from 1% to 20%. This is a good example of an intentional lever we have in our business. And the hyper personalization strategies with Wing IDE are the foundation for how we can inform and drive the design of a loyalty program.

We're almost coming at this from a completely different angle from other brands in the industry because of the wealth of information insight we have. A good example is the largest cohort we've seen in new guest acquisition has been that Gen Z, Millennial consumer. And we know they embrace brands that provide some type of experiential aspect to their engagement. And so a loyalty program is something we see as a way to enable that. And it's something we've been working on, again, tied back to our strategies over the last couple of years as we've seen our business scale and an opportunity for us to move down that -- move up that path to \$3 million AUVs.

Andrew Charles

Thank you very much.

Operator

The next question comes from Chris O'Cull with Stifel. Please go ahead.

Chris O'Cull

Yeah, thanks. Michael, you mentioned Hispanic consumers have pulled back and that you've seen this in the past. I guess what is the playbook to address this challenge? I mean, did you weather the storm? Or were there some proactive actions that you executed to improve results in those markets that over-indexed with that segment?

Michael Skipworth

Yeah, Chris, it's a great question. And I think, again, it really speaks to the visibility we have into our business and the strength of that database that's over 50 million users strong. So it does allow us to get very targeted and very specific and understand how to attack the current business and what we're seeing in these markets.

And it's not a one size fits all. So we do -- we are executing very specific tactics that are addressing these pockets where we are seeing softness. And it really anchors back to ultimately solving for -- a reminder, if you will, but just that top of mind consideration around that indulgent Wingstop occasion, which again, we're not a high-frequency occasion, and we've demonstrated over 21 years, same-store sales growth, our ability to keep those indulgent occasions.

And so for us, it's the right messaging, it's through the right medium. And then obviously, in instances where we can present value to a customer who is a little bit more sensitive to this current macro environment, we're going to lean in and do that as well. But they really do all ladders back to that indulgent Wingstop location.

Chris O'Cull

Great. And I had a follow-up on the rollout of the kitchen system. Just given the lower frequency of the brand, how do you envision helping guests realize that times have improved? I mean I understand quote times on 3P platform should be lower, but is there anything you can do to help raise awareness that guests maybe getting their orders twice as fast as they used to?

Michael Skipworth

Yes, Chris, it's a great question. And I would really think of it in two buckets. You have to remember, we are still one of the largest brands that nobody's ever heard of. We have a 20-point gap in brand awareness. There's a lot of people who do not engage with our brand yet. And so for them, this will be the only experience they know. And so we will naturally and organically just become more of their consideration set because we're delivering on both speed and the consistent experience time in and time out.

As it relates to existing guests, again, Alex talked about this a little bit earlier, as we line out our strategy over the next few years, we thought about loyalty as being a great way for us to just drive consideration with the consumer around certain occasions in certain ways to become their consideration set.

We're not going to go out there and tell people we're faster now and more consistent, but we're going to find ways to drive Wingstop to the top of their consideration set for certain occasions that we believe we have the right to win, and then it's about delivering on those expectations.

Chris O'Cull

Great, thanks, guys.

Operator

Next question is from Andy Barish with Jefferies. Please go ahead.

Andy Barish

Hey, guys. Good morning. One question and a quick follow-up. Just I guess I missed or didn't realize you bumped up the ad fund at the beginning of the year, another 50 bps. Is this -- can you just kind of give us an update on sort of what the focus of that was? Is it NBA stuff? Are you generating the kind of returns you lag there? And is there a focus maybe on more individual either occasions, just given some of the things you've mentioned prior on the economy and uncertainty.

Michael Skipworth

Hey, Andy, yeah, last year, when we launched -- my Wingstop platform, we upped the overall advertising fund by 30 bps and that was to cover the operating expense for the MyWingstop platform. And going into this year, we stair-stepped that up to the 50 bps you referenced, so another 20 bps to 5.5% total ad fund, but that all -- the increase entirely represents the funding of the operating expense associated with MyWingstop.

But as we mentioned before, with our double-digit growth in system-wide sales, we're continuing to grow our ad fund. And we're super excited about -- what we're seeing with our advertising with the NBA partnership that we're stepping into. And we're not running nearly as many spots as other brands are, but yet we were the most recognized brand in the NBA this season. And so that tells us our advertising is working really hard for us, and we're excited about some of the end game moments we're able to take advantage of through that partnership.

And so we're taking that. We're taking what we've learned last year around starting to expand in a partnership with the WWE and now we're looking at the UFC and those guests for both of those -- or those audiences for both of those areas, our guests that don't know Wingstop have a low level of awareness, but look a lot like our core guests and who we're targeting. So we're excited about the strategy and how it's working for us. And I think it's showing up in our brand health metrics. They give us a lot of confidence in our ability to navigate this year.

Andy Barish

Yeah. And just a quick follow-up for Alex. I don't want to get too much into semantics, but you said kind of return to same-store sales growth through the 3Q. So I'm going to, I guess, ask it just does that mean you expect the 3Q to be positive on a same-store sales basis?

Alex Kaleida

Yeah, Andy, we're not going to guide to the quarter, but I think about the second half as something on a three-year basis based on what we guided to, that would imply a three-year in the second half within the high 30% range.

Andy Barish

Okay, thanks a lot guys.

Operator

The next question is from Sara Senatore with Bank of America. Please go ahead. Ms. Senatore, your line is open. Perhaps you unmute yours.

Sara Senatore

Sorry, thank you. Yes. Just on the first question and then I do have yet another question on the same-store sales stack that you're talking about. You mentioned that you had positive transaction growth, which I guess implies negative ticket. If you could just talk about what might be driving that mix? Is it just fewer group orders, which would be perhaps positive because it's growth in sandwiches and tenders or less attach or anything on value? Have you done more kind of sharper price points around some of the value offers?

Alex Kaleida

Hi, Sara. Michael had mentioned a bit. I think what this points to what you saw in the quarter relates to this individual eater occasion that we're tracking with tenders on their initial purchase. So that ticket is obviously a smaller average ticket size than what we see from a traditional group occasion that we typically anchored to. And we saw a little bit of this dynamic with chicken sandwich when we first launched that. So that's really what it points to in the first quarter regarding the ticket.

Sara Senatore

Right. So not value or tech management?

Alex Kaleida

No.

Sara Senatore

Okay. And then just on the stack, you point into three year. I guess, if I look at the two-year stack, I mean, the implication would be that it's very stable. So if you're down mid-single digits, the compare sequentially gets about mid-single digits, harder 1% comp for the full year is, I think, roughly 22% two year.

So I guess the question I have is, is that sort of the three-year rather than the three-year, perhaps more indicative? And if so, presumably, it's going to vary around that trend. So I think April was your toughest compare last year of the quarter. So just trying to sort of think through obviously, everybody is looking at kind of some of the same data that you are.

Alex Kaleida

Yeah. I think you said it varies around the compare. And so I think what I would think about is just that three-year stack comp, as I mentioned, in the second half.

Sara Senatore

Okay. So even though the three-year decelerates in the second half, you're saying high 30s, I guess maybe if you add it, that's what you're looking to, okay. Thank you.

Alex Kaleida

Yeah.

Operator

The next question is from Christine Cho with Goldman Sachs. Please go ahead.

Christine Cho

Thank you so much. A quick follow-up on the tender mix. I recall previously, it was around low single digit. But are you seeing any meaningful uptick here post the recipe upgrade as well as the March Madness campaign? And how do you size the opportunity relative to Chicken Sandwich, for instance? Thank you.

Michael Skipworth

Yeah, Christine, we are really encouraged by the early results with our tenders relaunch. And we've seen that sales mix obviously spike similar to what we did with sandwich when we initially launched sandwich. And it's now mixing -- tenders are now mixing higher than sandwich. We're encouraged by that. But we know there is a meaningful opportunity for us to win our first share of tender occasions. And again, it's a great entry point into our brand that consumers who aren't familiar with Wingstop or either don't really understand how to engage with us outside of maybe a special occasion.

Exactly what we saw with chicken sandwich, and that's what we're seeing with that record guest -- number of guests -- new guests we acquired in the month of March. So all early indications are really encouraging, and we're excited about the opportunity we have with tenders.

Christine Cho

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Michael Skipworth for any closing remarks.

Michael Skipworth

We just want to thank everybody for their time this morning. And as we take a step back and look at our business, the underlying health of our business, the fact we see record development momentum. We see accelerating brand strength. We're expanding digital engagement and menu innovation combined with our new Wingstop Smart Kitchen operating platform that unlocks new occasions, it's hard to not see a path to \$3 million AUVs and over 10,000 restaurants globally. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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