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Wingstop Inc. (WING) Q1 2026 Earnings Call Transcript

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Q1: 2026-04-29 Earnings Summary

Insights

EPS of \$1.18 **beats by \$0.15** | Revenue of \$183.73M (7.38% Y/Y) **misses by \$4.04M**Wingstop Inc. ([WING](#)) Q1 2026 Earnings Call April 29, 2026 10:00 AM EDT

Company Participants

Sarah Niehaus - Senior Director of Investor Relations & Corporate Finance

Michael Skipworth - President, CEO & Director

Alex Kaleida - Chief Financial Officer

Conference Call Participants

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Andrew Barish - Jefferies LLC, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Sara Senatore - BofA Securities, Research Division

Brian Harbour - Morgan Stanley, Research Division

Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Jon Tower - Citigroup Inc., Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to Wingstop Inc.'s Fiscal First Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, Wednesday, April 29, 2026.

On the call today are Michael Skipworth, President and Chief Executive Officer; Alex Kaleida, Senior Vice President and Chief Financial Officer; and Sarah Niehaus, Senior Director of Investor Relations. I would now like to turn the conference over to Sarah. Please go ahead.

Sarah Niehaus

Senior Director of Investor Relations & Corporate Finance

Thank you, and welcome to the Fiscal First Quarter 2026 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 each of you please keep 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

President, CEO & Director

Thank you, Sarah, and good morning, everyone. We appreciate you joining the call. We believe 2026 is going to be a transformational year for Wingstop and remain extremely confident in the long-term opportunity in front of us. Our focus is on execution. Execution against unique brand-specific strategies, which include strengthening our operations through the Wingstop Smart Kitchen, expanding our reach to new guests and launching our new and highly differentiated loyalty program each of which we believe are structural changes that will drive sustained growth towards our AUV target of \$3 million.

As I step back and assess the current state of the business, we are making significant progress against our strategic priorities. We are seeing measurable improvements in speed, accuracy and consistency that are being enabled by the Wingstop Smart Kitchen along with early signals that our marketing is reaching new guests and driving deeper engagement. That said, our same-store sales result in Q1 was disappointing and fell below our expectations.

As we started the year, domestic same-store sales trends from Q4 carried into the first month of Q1, suggesting more consistency in the trend. However, as the quarter progressed, 2 factors came into play. The first was atypical winter weather resulting in temporary restaurant closures in over 700 restaurants. And secondly, elevated gas prices as a result of the conflict in the Middle East. Not too dissimilar to what we experienced in 2022, rapidly rising gas prices stress the balance sheet of the lower-income consumer that our business overindexes to. As a result, our same-store sales trend worsened during the quarter and resulted in a decline of 8.7%. If you exclude these unusual external factors, performance would have broadly been in line with our expectations.

We have updated our full year outlook to reflect our results for Q1 and now anticipate same-store sales to be down low single digits, but we believe our business can return to growth in the second half of the year as these strategies we are executing all come together. While the macro backdrop is masking some of the near-term impact, we can see measurable progress across our key initiatives.

Our asset-light, highly franchised model continues to demonstrate its resilience. In the quarter, we delivered double-digit adjusted EBITDA growth, and we opened 97 net new restaurants translating into 17% unit growth. This performance reinforces the strength of our model. Central to our strategies is our disciplined focus on protecting our brand partners' margins and maintaining strong unit economics, which we believe is foundational to sustaining long-term unit growth. And despite the challenging macro backdrop, we saw brand partner margins strengthen in Q1. And we believe this helps reinforce the strength of our development pipeline, a pipeline that remains one of the strongest in the industry, showcasing the durability of our model and confidence of our brand partners who continue to invest in the long-term growth of the brand. We believe we have significant opportunity in front of us to scale Wingstop to over 10,000 restaurants globally. We remain focused on what we can control, and our strategy remains unchanged.

Let me start with the Wingstop Smart Kitchen. The Wingstop Smart Market is a meaningful operational transformation, requiring fundamental changes to how our restaurants execute day-to-day. We are making clear progress in strengthening our operations with improvements in speed, accuracy and consistency across the system. And while the full benefits from our new back-of-house technology have not scaled to the entire Wingstop system yet, we are seeing clear evidence it is working.

Last quarter, we discussed the need to focus on Friday and Saturday dinner dayparts, where we see the highest volume of new guests entering the brand, with approximately 50% of new guests trying us for the first time during those windows. Within these dayparts, we are now seeing an approximately 16-point improvement in the number of restaurants hitting our targeted speed of service in Q1 compared to Q4, along with a roughly 5 percentage point improvement in accuracy. Restaurants are driving greater consistency during these peak periods, ensuring we deliver on those moments that matter most for both new and existing guests.

In addition, customer satisfaction improved across both digital carryout and delivery in the quarter with delivery improving approximately 17 percentage points in customer satisfaction driven by gains in speed and execution. We are also seeing in restaurants consistently achieving our 10-minute speed of service standard. Delivery times are now moving closer to our goal of less than 30 minutes, reinforcing that stronger execution translates into a better end-to-end guest experience.

The most pronounced impact is in our lowest performing restaurants, reinforcing that we are raising the floor of performance across the system. This is a significant operational transformation and scaling consistent execution across the system of our size is a deliberate ongoing focus. As we continue to build consistency across restaurants, dayparts and channels, we expect to more fully unlock the demand and conversion benefits of the platform.

To further highlight the progress we are making on speed of service, we're targeting a launch of our order-ready tracker by the end of Q2 that is designed to reinforce our speed of service through enhanced communication to our guests and drive measurable impacts in guest satisfaction. This feature directly connects into the Wingstop Smart Kitchen with real-time status updates, guiding the guests through the cook-to-order high-quality experience only Wingstop can deliver. In early testing, the order tracking feature created greater confidence into the guest quote time, better highlighted the craft associated with each Wingstop order and reduced status-related complaints and improved accuracy.

The takeaway is clear. When we deliver that high-quality cook-to-order Wingstop experience and execute with speed, accuracy and consistency, we drive stronger conversion, improved retention and incremental sales. As we closely analyze the data, it is what we see in the data and the results that gives us strong conviction in the Wingstop Smart Kitchen as a key unlock for our restaurants. We are building momentum. And as we execute at a high level, consistently across the system, we expect the Wingstop Smart Kitchen to be a meaningful contributor to scaling AUVs towards our target of \$3 million.

Another key strategy in 2026 that we believe can position Wingstop for sustained growth is the launch of our loyalty program, which we are referring to as Club Wingstop. This is not a traditional discount-driven rewards program. Club Wingstop is built around a simple premise, members eat first. Given our most engaged guests, access, experiences and benefits that go beyond points and discounts. What differentiates the platform is how it enhances the guest interaction through capabilities like group ordering, point sharing and personalized offers that adapt based on behavior.

As part of the latent design of this platform, we built an AI-enabled tool that will allow us to achieve personalization at scale. This includes generating hundreds of pieces of content that drive relevant and adaptable messages to specific segments in our database. We have features embedded in our Club Wingstop technology that are designed to strengthen the emotional connection to our brand and drive sustained frequency over time. In our pilot market, we are seeing this translate into improved retention, higher reactivation of lapsed users and increased engagement from our most valuable guests. Engagement is strong, with roughly half of active guests enrolled and approximately 40% of new guests are signing up.

Members are also demonstrating higher check and stronger retention relative to nonmembers. Results in our pilot market are being achieved with limited marketing support. And only a partial feature set, which to us reinforces the strength of the platform and the opportunity as we scale. We are preparing for a national launch by the end of Q2, supported by a full 360-degree marketing strategy and a robust pipeline of features, including personalization, merchandise and experiential elements that extend well beyond traditional points-based programs. We believe loyalty will be a meaningful driver over time, particularly as we scale nationally and integrate more deeply into our digital ecosystem.

Widening the top of the funnel and capturing our fair share of our demand space is another key priority for us in 2026. We estimate we are capturing only about 2% share in a demand space, we believe we can win a 20% share, highlighting the significant runway ahead, but execution is foundational to this effort. It starts with driving acquisition through brand awareness and innovation, particularly flavor-led innovation, which we know is a key driver of consideration, especially among the consumers we are targeting in our demand space.

Our Wingstop is Here advertising campaign is designed to expand the top of the funnel, and we are beginning to see early signs that it is working. New guests are increasingly skewing towards higher income cohorts, particularly in the \$50,000 to \$100,000 range, one of the fastest-growing segments among new guests we're acquiring. This gives us confidence that our marketing is resonating with a broader audience and is reflective of the opportunity we're targeting in our demand space. Looking ahead, we have a strong pipeline of innovation and marketing initiatives, including continued flavor-led innovation in the next phase of Wingstop is Here, which we believe will showcase the quality and premium experience our guests have come to love. Together with the Wingstop Smart Kitchen and Club Wingstop, these efforts are designed to strengthen acquisition, improve conversion and support sustained traffic growth over time.

Another significant factor for building brand awareness and acquiring new guests is what we've been able to accomplish in expansion of our footprint. Our unit growth is supported by the strength of our unit economics underpinning the strong demand from our brand partners. In the first quarter, we opened 97 restaurants globally at a more than 17% growth rate versus the prior year. As we grow our restaurant base, development itself becomes a demand driver, expanding brand awareness and amplifying the impact of our marketing, reinforcing the flywheel across the system.

We continue to scale Wingstop in a disciplined manner and believe our market level strategies will allow us to do so in the most sustainable way. Outside of the U.S., momentum remains strong, with newer markets such as Ireland and Thailand thriving and already delivering attractive unit economics as well as reinforcing the portability of the brand. Looking ahead, we remain on track to enter our largest new market to date, India, in 2026, representing a significant long-term opportunity.

What fuels our growth is our brand partners' returns, which we believe are industry leading. It's why we believe addressing near-term challenges for our core consumer should not compromise our long-term fundamentals. That mindset has translated into incredible growth. Since the beginning of 2023, we have opened over 1,000 restaurants and more than doubled system-wide sales to over \$5.4 billion on a trailing 12-month basis, all while systematically growing our global pipeline to a record level.

While the level of uncertainty in the current operating environment remains high, our path forward and strategies are very clear. We are focused on strengthening our operations through the Wingstop Smart Kitchen, expanding our reach to new guests and launching Club Wingstop, each of which we believe will drive a return to same-store sales growth and further strengthen brand partner profitability and returns.

We are confident in the strength of our asset-light model, the resilience of our brand and the significant runway ahead. Together, we believe these position us to scale average unit volumes towards \$3 million, expand our global footprint and continue advancing our ambition to become a top 10 global restaurant brand. And it is important to note that none of this would be possible without the dedication of our team members and the continued commitment of our brand partners who are executing every day to deliver a great guest experience and grow the Wingstop brand around the world.

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

Alex Kaleida

Chief Financial Officer

Thanks, Michael, and good morning. Our first quarter results reflect the resiliency of our highly franchised, asset-light model. In a more pressured consumer environment, we delivered system-wide sales growth, double-digit adjusted EBITDA growth and unit growth that well exceeded our long-term algorithm.

Development continues to be one of the most compelling proof points in our model and the long-term opportunity to scale Wingstop into a top 10 global restaurant brand. We opened 97 net new restaurants in the first quarter, a 17% growth rate. And with domestic AUVs at approximately \$2 million on a roughly \$580,000 upfront investment to build a Wingstop, our brand partners are seeing, on average, a payback of less than 2 years. Our unit economics are what drive the demand we see in our pipeline, which is evident in a pipeline that stands at more than 2,200 restaurant commitments under development agreements, and that demand remains broad-based across our brand partners.

System-wide sales increased 5.9% to \$1.4 billion in the quarter, fueled by net new unit development and more than offset the 8.7% decline in same-store sales. As a result of our system-wide sales growth, total revenue increased 7.4% to \$183.7 million versus the prior year. Royalty revenue, franchise fees and other increased \$8.7 million to \$87.5 million.

Company-owned restaurant sales increased by \$2.9 million to \$33 million, driven by 6 additional corporate stores opened or acquired since the prior year comparable period. Company-owned restaurant cost of sales decreased 110 basis points versus the prior year to 74.9% of company-owned restaurant sales, primarily driven by a 160 basis point decline in food, beverage and packaging costs.

Our supply chain strategy continues to provide great visibility and predictability into food costs for our brand partners throughout 2026. With this current operating environment, we are encouraged by how our strategies improved profitability for our brand partners this quarter. SG&A increased \$3 million versus the prior year to \$34.4 million, primarily driven by a \$2.4 million nonrecurring restructuring charge related to the corporate realignment announced in January this year. This was partially offset by lower system implementation costs. We continue to take a disciplined approach with our SG&A investments, ensuring we are investing appropriately in people, capabilities and technology to support our long-term aspirations.

Adjusted EBITDA, a non-GAAP measure, was \$65.4 million during the quarter, an increase of 9.9% versus the prior year. Q1 net income was \$30 million or \$1.08 per diluted share, a decline of \$62.4 million in net income versus the prior year. This was driven by a nonrecurring gain of \$92.5 million recognized in the prior year associated with the sale of our U.K. brand partner, Lemon Pepper Holdings.

As we disclosed in Q1 last year, we reinvested \$75 million of the proceeds from the sale of LPH into the newly formed entity, which we believe will strengthen returns for shareholders. On an adjusted basis, excluding the impact from this nonrecurring gain in the prior year, earnings per diluted share was \$1.18, a 19.2% increase versus Q1 2025.

In recognition of our strong free cash flow generation and our commitment to returning capital to shareholders on April 28, 2026 our Board of Directors authorized and declared a quarterly dividend of \$0.30 per share of common stock to be paid on June 5, 2026 to stockholders of record as of May 15, 2026, totaling approximately \$8.2 million.

On March 11, 2026, the Board of Directors also authorized an additional \$300 million available for share repurchases. During the first quarter, we repurchased and retired 374,324 shares of our common stock at an average price of \$208.08 per share. As of March 28, 2026, \$313.4 million remained available under our existing share repurchase program. Since the inception of our share repurchase program in August of 2023, we have repurchased and retired more than 2.9 million shares of common stock. Our ability to consistently return capital to shareholders remains an important component of our strategy to maximize shareholder returns.

Turning to our outlook for 2026. We updated our domestic same-store sales guidance to a low single-digit decline, reflecting what we have seen year-to-date and the more significant pressure on our core consumer from elevated fuel prices. We estimate that higher fuel prices and the unusual winter weather in January which caused a high rate of weather-related restaurant closures contributed to an approximately 4 percentage point headwind to domestic same-store sales in the first quarter. We are also updating our full year SG&A outlook to a range of \$146 million to \$149 million, which includes \$3 million of restructuring charges related to the corporate realignment and \$28 million of stock-based compensation expense.

Additionally, we are reiterating the following guidance for 2026, global unit growth of 15% to 16% and which is based on the visibility we have into the pipeline today, net interest expense of approximately \$43 million, depreciation and amortization of approximately \$30 million.

As we look ahead, our focus remains on the strategy that will return Wingstop to same-store sales growth, improving operational execution through the Wingstop Smart Kitchen, scaling our new loyalty platform with the upcoming national launch of Club Wingstop, acquiring new guests into the brand and continuing to expand our global footprint. I'd like to close by thanking our restaurant team members, supplier partners and brand partners for their efforts in driving Wingstop toward a top 10 global restaurant brand. With that, operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] The first question today comes from David Tarantino with Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Michael, I was hoping you could help to clarify where you're seeing some of the traffic loss in your business. And it seems like you picked up a lot of traditional quick-service customers during that 2022 to 2024 time frame. And as we got to kind of the middle of 2024 and the environment got a bit tougher for that consumer and quick service restaurants got more promotional. It seems like your business has been decelerating since that point. So I guess the question is, is it that traditional consumer you gained that you're now losing? And I was wondering if there's any tactical response that you could have to stop the bleeding in the bottom of the funnel, so to speak?

Michael Skipworth*President, CEO & Director*

David, I appreciate the question. I think maybe it's -- the way we're looking at it, it might be somewhat similar to how you phrased the question, but we've talked about over the past year, how much our business compared to other restaurants does over-index a little bit to the lower-income consumer. And so those could be one and the same. And I think what we saw in Q1 was the start of the quarter, we saw some stability within the trend and then obviously, we're hit by a couple of events that were outside of our control.

And when we looked at the data, particularly within March, we look back at kind of how our business responded and how our core consumer responded to when gas prices reached similar levels in 2022, we saw a pretty similar reaction this year in March in our business. And so we do think that that's attributed to a little bit of the near-term or more pronounced immediate reaction to gas prices when they reach these levels. But we do see that normalize pretty quickly. And I think we did see that in the trends as we exited the quarter and started Q2.

David Tarantino*Robert W. Baird & Co. Incorporated, Research Division*

Great. And I guess the second part of my question, is there a tactical response, maybe a bit more focus on value to be more competitive with that consumer that you appear to be losing, I guess, is there anything you're considering there?

Michael Skipworth*President, CEO & Director*

Yes, David, I would say we're obviously focused on executing against the strategies that we believe are going to position the brand for this next phase of growth and what's in front of us. But I would say a couple of things. Obviously, with the data that we have and what we know about our consumer we can be very targeted with the messaging that we present. And I think you saw us do that a little bit. And this is really us showcasing existing value that's on our menu and us not necessarily discounting or anything like that or being overly promotional. And we did that in ways of highlighting flavor under \$10, where we have our chicken sandwich combo and a tender combo that is incredible value. And we are able to present value not only just through price point, but we think what's really important is to deliver it through quality, through abundance, through the experience, ultimately, delivering an experience to the guest that's worth it.

And so we can do that in a very targeted way. But what we're seeing and what the opportunity for us is really around what we're doing to expand the top of the funnel and bring in new guests. These guests look a little bit different than our traditional guests. And while it might be masked a little bit by some of the macro events that impacted our business in the first quarter, we're really encouraged by what we're seeing. We're seeing some early signs that the strategy is working. We're seeing the highest income cohort -- growth within the highest income cohort for us is that \$50,000 to \$100,000. We're seeing improvement in awareness and conversion. And we're actually seeing some really encouraging signals around the reactivation of laps. And so we think the strategies we're executing are working, but where it is important and where it is relevant to showcase value, we're doing that in a very targeted way, but obviously focusing on these strategies that we're executing against that we're really excited about what that could translate to for the back half of the year.

Operator

The next question comes from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. First, I just wanted to follow up on that topic regarding the comp trend. You lowered the full year guidance. I think you just mentioned that in April, maybe trends have improved or normalized. So wondering if you could just clarify for us what maybe you're seeing was the exit to the first quarter and maybe what you're seeing in April and whether or not a concern at all related to the return to positive in the second half. And it does seem like not necessarily our compare is getting a lot easier, so presumably, you're talking about some initiatives within your control, maybe the loyalty program, maybe what kind of assumption you're assuming for that loyalty program. But April and then kind of your confidence in turning back to positive in the back half of the year, kind of the biggest drivers? And then I had one follow-up.

Michael Skipworth

President, CEO & Director

Jeff, yes, we did see an improvement in the trend to start Q2. And I'll tie back a little bit to my previous comment around a little bit of a more pronounced near-term reaction to fuel prices and that does normalize pretty quickly, but we saw an improvement. And I think as we updated our full year outlook, we obviously took into consideration our actual results for Q1, but we did adjust down our expectations for Q2, which are somewhat related to our expectation of some near-term pressure on the consumer with elevated gas prices. Obviously, it's extremely difficult for anyone to predict this macro environment that we're in. But what we're really focused on, Jeff, is we are seeing some really positive signals in our business, whether it's as it relates to Smart Kitchen.

We talked about that Friday and Saturday night daypart that we're focused on, we saw a 16 percentage point improvement in the number of restaurants that are delivering on that 10-minute speed of service on Friday and Saturday night. Our bottom quartile of restaurants, we saw a 3-minute improvement in overall speed within those, and we're measuring significant progress and improvements within guest satisfaction scores. A strong signals that give us a lot of excitement and confidence about the impact that Wingstop Smart Kitchen will have on our business over time. I mentioned the marketing. We feel like our marketing is resonating. We're seeing reactivation of laps. We're seeing that fastest-growing cohort at \$50,000 to \$100,000. We're seeing improvements in awareness and conversion, all really strong signals that it's resonating.

And we have some exciting things coming within our pipeline as it relates to innovation that we're really excited about that we know based on the research that we've done, is what is one of the #1 drivers for this target that we're targeting within our demand space. And one of the #1 drivers is really around innovation and so we think that's going to position us well. And then Club Wingstop, it's a big one for us. We're excited about it. Our pilot results continue to strengthen. We're seeing improvements in retention, in reactivation and frequency, all really strong signals and again, without the support of our national advertising and without really leveraging that platform at scale. And so the combination of those things do give us confidence in the early signals that we're seeing in the business, we expect over time to return to growth in the second half of the year.

Alex Kaleida

Chief Financial Officer

Yes. And Jeff, this is Alex. I could help translate a little bit on what we anticipate on the shape of the year. With what we're seeing in the April trends and kind of knowing that this is a little bit of, hopefully, the peak on fuel prices that consumer is seeing. We're anticipating somewhere in the mid-single-digit decline range for comps in the second quarter, followed by a gradual improvement into that low to mid-single-digit positive range for the second half as these strategies come together and what Michael mentioned.

And I think these are informed by just some ways that we've been able to see results in top-performing restaurants on Smart Kitchen and what they're seeing in their business comp performance. Also what we're seeing in our pilot market, again, with very limited features and marketing behind it and seeing a measurable comp impact. So that's how we got to -- the shape of the outlook, very similar to what we said last quarter, we anticipate a return to growth in the second half. Near term, we have brought forward a little bit of that inflation challenge that we're seeing from the war that took place at the start of March. But we have a high degree of confidence in this outlook and in fact, are working to exceed it.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Understood. And then my follow-up. Michael, franchisees, just based on your commentary seem very happy. Obviously, the comp growth isn't where they want it to be, but the past couple of years sales growth, the 70% type returns they're generating, all that supports the outsized unit growth. But clearly, the current macro is challenged. I'm wondering if you could talk a little bit about the recent conversations with franchisees, what they're most focused on and whether it ever becomes a discussion internally about considering maybe tempering unit growth. Clearly, you're running well above the 10% long-term algo with your 15% to 16% growth this year. Maybe there's some risk that is cannibalizing, maybe makes sense to try and control or limit the outsized unit growth? Any thoughts there would be great.

Michael Skipworth

President, CEO & Director

Yes, Jeff. We mentioned this in our prepared remarks, but I think it's really important to say it again. And we actually saw our brand partner margins and profitability improve in the first quarter. And we talked about that's about -- that's us making really intentional and strategic decisions about what's right for the business long term and obviously, continued progress with our supply chain strategy and continuing to protect and in some cases, enhance those industry-leading returns and unit economics and they remain strong. The sentiment and the conversations with our brand partners, it's really a lot about acknowledgment that over the last few years, our AUVs have grown close to \$500,000. And that combined with just continued focus and execution against protecting profitability has been pretty positive.

But then when you layer on top of that, us working with them and talking to them about these strategies that we're executing and what's in front of us, there's a pretty high level of excitement around Wingstop and to continue to grow and to continue to expand. We feel like we're growing at the right pace. We're obviously executing against our market-level playbooks, which are very intentional and very clearly defined around where we open restaurants and at what pace and when we open those restaurants. But we mentioned it as well in our prepared remarks, our pipeline sits at a record level, which I think showcases the demand and excitement for growth. And based on the visibility we have in the pipeline today, we're able to reiterate our outlook this year, which is another industry-leading year of unit growth at 15% to 16%.

Operator

The next question comes from Andy Barish with Jefferies.

Andrew Barish

Jefferies LLC, Research Division

Just wondering on kind of thoughts as you look out in terms of becoming a more mainstream brand, do you think kind of marketing has to evolve as we look out maybe to '27, particularly given the size and scale of your spend to more kind of traditional windows and promotions that are laid out. And then kind of also wondering, just on the move to \$3 million AUVs. If you could kind of frame up how much of that is maybe related to incremental chicken sandwich and tenders occasions, just given how strong your share is in the traditional wings business.

Michael Skipworth

President, CEO & Director

Andy, I think that's a great question. And if you go back 4, 5 years, we were able to be a little bit more of what I would characterize as a marketing strategy that was almost a one size fits all. And as we look at how our business has grown and scaled and diversified to some degree, we are 100% aligned with the question you asked, and that is we have to be very targeted. Messages need to be different based on audience, based on channel. And I think that can go from linear TV all the way down to social platforms. And that's exactly the playbook that we're executing is making sure our message is tailored specifically to the target audience that we're trying to reach. And I think you'll see more of that come to life as we talked about some of the next phase or next chapter of Wingstop is here.

You're going to see a little bit more variation in the messages that we're putting in front of consumers, a little bit more targeted messaging as it relates to calls to action. But that's exactly the playbook that we're executing. And as we think about our path to \$3 million AUVs, we do think there are a ton of chicken sandwich occasions that we are positioned to win and we will win and tenders are the same. But we also think there's a lot of group occasions, our halo product, bone-in chicken wings that we're going to win as well as we educate more of these consumers who don't know about us or maybe don't consider Wingstop today. And that's what we're excited about as it relates to our Q1 results is we're seeing early signals in the business that we're making progress against all of those initiatives.

Alex Kaleida

Chief Financial Officer

And Andy, I'd add, too, that we've historically anchored as an example, on social media in area like TikTok, we now are diversifying more messaging in personalizing content to those channels across Meta, Instagram, X, other areas where we can really speak to that new guests we're looking to acquire. So we think the timing is right to start to move more into those various social channels alongside the level of content we're able to produce and the relevance we can drive at the messaging in those channels.

Andrew Barish

Jefferies LLC, Research Division

Congrats on #500 internationally.

Alex Kaleida

Chief Financial Officer

Thank you.

Michael Skipworth

President, CEO & Director

Thank you.

Operator

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

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

I had a couple of follow-up questions from earlier ones. And Michael, has the company -- the company has guided to, I think, 15%, 16% unit growth this year, which continues to pace well ahead of the 10% long-term algo. But to what extent is this growth being driven by brand partners voluntarily developing ahead of their contractual mandates? And if franchisees reverted to the minimum requirements of the development agreements, what would that base unit growth rate look like?

Michael Skipworth

President, CEO & Director

Chris, I wouldn't say there's anything to call out as it relates to brand partners developing ahead of their schedule. In fact, I would say it's -- it goes back to these market-level playbooks and that informs how we write these agreements. And we're writing these development agreements in a very targeted and intentional way that we believe is kind of really helping us have our hand on the dial and manage the pace of development. And so I would almost go so far as to say we discourage brand partners from developing ahead of that contractual commitment because we've been very intentional with how we design these agreements. And we believe we've got a strategy that we're executing against.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. That's helpful. And then we've noticed the sub-\$10 combos, which you mentioned earlier, being pulsed through social and CRM channels. But what is the reluctance to pivot linear TV towards these offers since it would seem to be a better medium to drive new and lapsed users than maybe targeting some of the existing users to increase frequency.

Michael Skipworth

President, CEO & Director

Yes, Chris, that's a little bit of what I hit on earlier. I think you're going to see that come to life as we progress through the year. And while linear obviously continues to be an efficient platform, you're going to see us leaning a lot more into OTT and streaming, which allows us to be very targeted. Because some people -- the relevant message that we're targeting might be this new group pack bundle where we've preconfigured a bundle at a compelling value to serve 3 or 4 people, and we've preselected the flavors, highlighting convenience, highlighting ease, but obviously, the flavor and quality associated with Wingstop, and they can order that with one click. And so that could be the right message that we highlight in a targeted way or it could be someone who's more value sensitive. And in that case, we can target them with a message that profiles this lunchtime offer that we have that is pretty compelling value to get our cook-to-order hand sauce and tossed sandwich or tender combos for under \$10. So that's exactly something we're leaning into.

Operator

The next question comes from Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

Just I guess, maybe one quick follow-up and then one quick question. Just you mentioned the lower income consumer. I think in the past, you've said that's roughly 1/4 of your sales, but that maybe has been trending down. So if you could update on what that mix is because I do think that's obviously much higher than I think what we've seen from others. So that's just a data point. But the question is on value, you mentioned value for the money, which I think is obviously clearly embedded in your menu. But some of what we're seeing that is very successful, especially for lower income consumers is very low price point value. And I think in the past, in 2023, relative value was a big part of what you were able to offer because wing prices were down so much.

Is there -- I know your emphasis on visibility in terms of wing prices as opposed to kind of maximizing the benefit from the recent decline. But is there an opportunity to do more price point value below that \$10? Or is it the margin structure just really doesn't support that. We have seen some other higher ticket concepts maybe do things on the app only to really kind of introduce people to the brand at very accessible price points just as budgets are really constrained. So just trying to understand if there is that opportunity either through the app or through your loyalty because these sort of entry-level price point piece seem to be working very well right now.

Alex Kaleida

Chief Financial Officer

Sara, this is Alex. I can jump in first. The low-income percent still has been about that mix of about 25% within our database. And we still are acquiring low-income guests. What we have seen in their behaviors is more -- they're actually trading up into larger bundles. We've seen the ticket increase, but the items that they're attaching per ticket has changed. That's come down a little bit. So they're almost kind of looking for that abundance quality that we can deliver that inherent value. And I think we've said this in prior calls, too, that, that consumer is still telling us we're doing the right things in terms of messaging value, delivering quality. We really think about that overall value proposition that we deliver to guests beyond just the price point.

So we're focused on some areas that showcase our menu differently, flavor elicits value as well. And then loyalty is a way for us, we believe we can strengthen the value proposition. And one difference that we're seeing among low-income consumers is in our market where we're testing loyalty, their engagement, their frequency has been sustaining. We're not quite seeing what we're seeing in the rest of the U.S., and we think we've brought some areas and examples forward for them that's really showcasing that value proposition, how loyalty can come into play there.

Sara Senatore

BofA Securities, Research Division

Great. And just is it the 7% increase? Is that roughly the same that you've been seeing in these sort of loyalty frequency as in the past?

Alex Kaleida

Chief Financial Officer

Yes. Actually, loyalty members are outperforming nonloyalty members in terms of -- across a number of metrics, including frequency, new guest retention. We're also seeing reactivation of lapsed users come back in at a rate of 2x nonloyalty members in there. So there's a variety of metrics were really -- which has given us that confidence in the path to growth in the second half based on this data we're seeing. But yes, it continues to be more elevated in the pilot market.

Operator

The next question comes from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Could you comment on how your 2 biggest markets, California and Texas are doing relative to the rest of the country?

Michael Skipworth

President, CEO & Director

Brian, I would say, obviously, California, I wouldn't say the trend has really improved as inflation, the kind of the consumer macro backdrop has remained pretty consistent there. I would say, as it relates to the Texas market, we have obviously a lot of corporate restaurants there. And so our corporate results give you a little bit of an indication. But as we look at DFW as an example, or even broader Texas, where we have had more tenure with the Smart Kitchen, those markets are performing a little bit better than the rest of the country.

But I would say it's really something that we pointed to in our prepared remarks, which has to do with those restaurants that are consistently delivering on our 10-minute speed of service target. And I think that applies outside of Texas, where those restaurants that are doing that, we continue to see higher new guest retention rates, better frequency, higher guest satisfaction scores and ultimately better same-store sales.

Brian Harbour

Morgan Stanley, Research Division

Okay. So -- and on Smart Kitchen, I mean, it is fully rolled out at this point, right? So I guess the question is, like for the earliest adopters, are you still seeing a same-store sales gap consistent with what you've talked about before? I guess I might conclude at a high level that customers don't really care about this yet. Like I think we understand the operational benefit in the theory, but is it necessarily showing up for customers in faster delivery times? Or are you seeing kind of more like walk-up business in response to this? I mean, at what point do you think it actually is more of a mover for customers?

Michael Skipworth

President, CEO & Director

Yes, Brian, I would say -- and we mentioned this in our prepared remarks, but we can see it in the data. And we know what good looks like. And when it is delivered and we are delivering on that 10-minute speed of service, you can measure it in the results and in the data. And one of the things we highlighted in our prepared remarks was the kind of bottom quartile restaurants, where we've really been focused on execution there, and we've reduced speed by 3 minutes and seeing some pretty meaningful improvements in guest satisfaction scores. So the guests are noticing and giving us credit for that. I would say one of the areas where the most noticeable improvement was in delivery times and guest satisfaction within the delivery channel, where we measured a 17 percentage point improvement in guest satisfaction scores in the delivery channel, and that channel outperformed versus the rest of the system.

And so those are some really strong signals that we're seeing in the business and the progress we're making. But I think it's important just to highlight that this is a really big operational change and maybe bigger than we even anticipated. And one of the things we've learned as we're continuing to focus and drive execution is we have to also guard against being too fast. We're updating -- we talked earlier this year about the new op scorecard that we rolled out. We're actually updating our scorecard just to make sure we're measuring performance against our targeted speed of service of 10 minutes, but we're also not rewarding the wrong behavior. But progress is being made across the board. We are getting credit from the consumer and the opportunity in front of us, and I think the long-term impact here continues to be really big.

Operator

The next question comes from Danilo Gargiulo with Bernstein.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

Michael, first of all, I'd like to expand on the comment you just made on this being an operational lift of high magnitude. I guess I'm trying to understand what is the impediment for all the stores to deliver within 10 minutes, even during peak times of Friday and Saturday. You're updating the scorecard. But I think for most operators, the Smart Kitchen is translating into better operations. So what's the impediment on the ground for a better adherence to the high standards?

Michael Skipworth

President, CEO & Director

Yes. I mean I think, Danilo, if you take a step back and think about and just remember, particularly with these more tenured restaurants and tenured team members, the change is pretty drastic to go from an operating model that relied on paper kitchen tickets and a lot of voice commands to now leveraging a technology platform, interaction with the screens and ultimately relying on and leveraging an AI-enabled demand forecast bespoke to every single restaurant that's being delivered in 15-minute increments. It's a fundamental change. And I agree with your statement that it is a better team member experience, and it does result in overall improvement in operations, but it is still a big change, particularly when you think about -- we often reference our standard quote time of 20 minutes on average.

But when you think about Friday and Saturday night when restaurants are experiencing high volume, those tickets -- the speed times could be on average 45 minutes. And we've taken that down significantly. And in some cases, we're not at that 10-minute yet, but we're materially faster than we used to be. And so it's a balance of ensuring we're executing and delivering on the speed that consumers expect but also making sure we're not rewarding the wrong behavior or driving the right -- wrong behavior that could translate to some unintended consequences around being too fast. And so it is a balance, and it's something we're focused on, and the team is executing against a plan. And we're confident based on the data that we see and the progress that we're making that we will get the entire system to deliver on a consistent 10-minute speed of service, but it is taking time. It is taking focus. It's taking some revisions to our scorecard that I mentioned, but the progress is clear in the data that we see.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

And Alex, if I may, with increased uncertainty on macro, geopolitical and even the demand environment, what is the best option to continue to do share repurchases versus maybe driving down the leverage to 3 to 4x over time in anticipation of high volatility rates?

Alex Kaleida

Chief Financial Officer

I think, Danil, great question. I think as we've shared in the past, we want to demonstrate our commitment to our buyback strategy because we believe in the long-term value creation it has for shareholders. And I think what you'll see as we manage through this is not accessing near-term outside capital to support the strategy, leverage this free cash flow generation that we have in our business and the combination of seeing some deleverage. But we do see ourselves in a place that's closer to that 4x leverage range as opposed to where we've been historically in 5 to 7x.

Operator

The next question comes from Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

I guess I wanted to delve into [Audio Gap] I think you [Audio Gap] points and speed of execution. Maybe I missed that [Audio Gap] Friday and Saturday nights. But can you just give us kind of broadly speaking, what percent of the system is hitting the 10-minute speeds? And then I think secondarily, you had talked last quarter about some challenges with the delivery providers getting under 30 minutes. Can you talk about kind of what percent are now consistently under [Audio Gap] how progress is moving [Audio Gap] kind of moved that [Audio Gap] towards the goal.

Michael Skipworth

President, CEO & Director

Sharon, you bet. You were breaking up a little bit, but I think I caught the gist of your question. As it relates to the Friday, Saturday night dinner daypart, I think one of the things is, obviously, it's important to highlight, those are 2 of our busiest or peak dayparts within the week. But it's also the dayparts where about 50% of our new guests visit the brand for the first time. And so obviously, extremely important as we think about the marketing strategies that we're executing and broadening the top of the funnel and bringing in new guests that we deliver on their expectations and retain them. And so that's a big focus for us. And when we entered this year, about 30% of the restaurants were delivering on that targeted 10-minute speed of service within the Friday and Saturday dinner daypart.

And we've made meaningful progress on execution within our restaurants. And it's due to the incredible work of our ops team, of our brand partners, of our teams -- their teams in the restaurants. And so kudos to them, but we've seen a 16 percentage point improvement just in 1 quarter in the number of restaurants that are delivering. And so that's meaningful progress, that's super encouraging, and we're going to continue to chip away at it, and I'm confident that we'll get the entire system there over time. And then I think the other part of your question, could you repeat that part again for me? I lost you at the very end of it.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

Yes, sure. Sorry about the cell phone. On the delivery providers, I think there were some challenges getting them under 30 minutes even when you were at 10 minutes. Can you talk about kind of where you stand at the 30-minute threshold system-wide and how those discussions and how that progress is going?

Michael Skipworth

President, CEO & Director

Yes. We're really encouraged with how our partners on the third party have leaned in. We obviously have had some meetings with their leadership team. Their teams have leaned in with our teams. We've implemented a few things that are helping send the right signals to their drivers at the right time to make sure they're getting there to the restaurant when the order is ready. And we mentioned it, but we're seeing a meaningful improvement in the performance there. And we actually highlighted this within that bottom quartile of restaurants, just the improvement within the delivery channel that we're seeing there is pretty meaningful. And I think it speaks to the opportunity we have within that channel. But to see a 17 percentage point improvement in guest satisfaction within the delivery channel is pretty pronounced and so we're encouraged by the progress we're making.

Operator

The next question comes from Jon Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

I know you mentioned that protecting and growing franchisee profits and cash flows is frankly a priority for the company? And kind of following up to Sara's question earlier around value. In your conversations with them, are they reluctant to move down on price points on the menu over time? I'm just curious if that's been pushed back from that community specifically.

Alex Kaleida

Chief Financial Officer

Jon, this is Alex. No, I think we're lockstep with our brand partners in terms of really even in this environment, protecting the unit economics. And we don't believe it's a little bit more of our perception that training a guest to come to you for a \$3 menu item, as an example, is not who Wingstop is our demand space target, that group occasion. Again, our guests has given us feedback that we're doing all the right things on overall satisfaction. We've improved quality 6% versus last year. Consideration is up 4% versus last year. And even that low-income consumer isn't saying that we have a value issue with us. So we're focused on that and really building that top of the funnel, attracting those new guests and keeping our brand partners focused on that long-term opportunity for Wingstop to build towards 6,000-plus restaurants in the U.S.

Jon Tower*Citigroup Inc., Research Division*

Got it. And I know, Michael, you earlier in the conversation, you had mentioned that innovation is kind of top of mind for most guests in terms of what they want to see from the brand. It sounds like you're focused primarily on flavor. I mean any form factor changes that you're thinking about going forward?

Michael Skipworth*President, CEO & Director*

Jon, yes, it's super clear to us when we studied this -- our demand space, the consumer and who we're going after, who really doesn't engage with our brand today, but represents a huge opportunity for us. And our brand hits on the top emotional and functional needs of that guest and is best positioned to win. It's really about just driving awareness and then making this top of mind and relevant to them. But the #1 driver for these guests we are targeting to bring into the brand is innovation, and it's innovation through flavor. And this is a proven playbook for us. We go back to 2024 when we launched Hot Honey. But we launched Hot Honey when everyone else was doing it as a wet sauce, we did it the way that only Wingstop can do and did it as a dry rub.

And that is a great example of how we can lean into innovation, lean into flavor and drive relevance and bring new guests into the brand. In Q1, we launched a Hot Honey Trio, 3 ways to Hot Honey. That actually performed a lot better than we anticipated. In fact, we sold out 2 of the flavors within about 2 weeks. Another example I will point to is our current LTO flavor, Citrus Mojo. A lot of guests have kind of said it's a play on our iconic Lemon Pepper where it's a fresh garlic herb, a bright splash of citrus. But what we're seeing with the performance of Citrus Mojo is it's over-indexing to the reactivation of lapsed guests. It's bringing in new guests. And so we have an innovation pipeline built out for the rest of the year that we're super excited about. This includes a lot of really unique flavors that only Wingstop can do, but it also includes some unique dips as well. And so we're excited about this innovation pipeline and how that's going to drive relevance and I think continue to really bring in these new guests that we're targeting.

Operator

This concludes our question-and-answer session and concludes our conference call today. Thank you for attending today's presentation. You may now disconnect.

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