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Wingstop Inc. (WING) Q2 2025 Earnings Call Transcript

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Q2: 2025-07-30 Earnings Summary

Insights

EPS of \$1.00 **beats by \$0.13** | Revenue of \$174.33M (11.97% Y/Y) **beats by \$819.48K**Wingstop Inc. ([WING](#)) Q2 2025 Earnings Conference Call July 30, 2025 10:00 AM ET

Company Participants

Alex R. Kaleida - CFO & Senior VP

Kristen Thomas - Senior Manager of Investor Relations

Michael J. Skipworth - President, CEO & Director

Conference Call Participants

Andrew Marc Barish - Jefferies LLC, Research Division

Andrew Michael Charles - TD Cowen, Research Division

Brian James Harbour - Morgan Stanley, Research Division

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

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

Gregory Ryan Francfort - Guggenheim Securities, LLC, Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

James Ronald Salera - Stephens Inc., Research Division

Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division

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

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to Wingstop Inc.'s Fiscal Second Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, Wednesday, July 30, 2025.

On the call today are Michael Skipworth, President and Chief Executive Officer; Alex Kaleida, Senior Vice President and Chief Financial Officer; and Kristin 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 second 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 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 J. Skipworth

Thank you, Kristen, and good morning, everyone.

Before we jump into our second quarter results, I want to start today's call by acknowledging the horrific events that took place earlier this month in our home state of Texas, with the devastating floods in the Texas Hill Country. None of us can imagine what those families and communities are going through after such a tragedy. However, we, along with our brand partners are here to support our fellow Texans and are keeping all of those impacted in our thoughts and prayers.

Now shifting to our second quarter results. I believe 2025 will be another differentiated year for Wingstop, showcasing the resiliency of our model and the opportunity we have to scale into a top 10 global restaurant brand. Our second quarter was a great example of this. System-wide sales increased 13.9% to \$1.3 billion, while same-store sales declined 1.9% for the quarter. To put our Q2 comp in perspective, we lapped 28.7% same-store sales growth in 2024 and a 16.8% comp in 2023, both of which were primarily driven by transactions. I believe this highlights the effectiveness of our multiyear strategies and our brand partners couldn't be more excited about the future with Wingstop. The demand for opening more Wingstops is the strongest it's ever been. We opened 129 net new restaurants globally in the second quarter, a nearly 20% growth rate. The 129 net new units was the highest number of restaurants opened in a single quarter in our history. I'm incredibly proud of how our team members and brand partners executed in the second quarter and the continued shared confidence they have in Wingstop and our long-term strategies.

As we look ahead to the second half of the year, we have the utmost confidence in our proven long-term strategies, which consists of scaling brand awareness, driving menu innovation expanding our delivery channels, leveraging data-driven marketing and investing behind our digital transformation. I also want to acknowledge there remains a good deal of uncertainty with the consumer behaviors and implications to their spending habits. Through our regular consumer research, we hear concerns about elevated prices future job prospects and general anxiety about the future, but we remain focused on what we can control in this environment and executing our strategies. Fundamentals are strong across the board for Wingstop. We're seeing improvements in brand health metrics, restaurant operations, digital guest engagement and unit economics. We continue to measure strength within our brand health metrics, including within quality and satisfaction scores. I also share more about the tremendous progress we're making with speed and consistency from markets that have implemented our game-changing new kitchen operating platform that we are calling the Wingstop Smart Kitchen.

While we made considerable improvements in brand health metrics, there remains significant opportunity to narrow the gap to brand awareness when benchmark to more established larger restaurant brands. This past quarter, we took an opportunity to amplify our brand presence and connect us more deeply with current and future fans by leveraging our NBA partnership. With this partnership, we gained access to in-game brand placement throughout the NBA playoffs as well as becoming the presenting sponsor during the second round of the playoffs. We're just scratching the surface on this partnership with the NBA and look forward to our activations for this upcoming season.

Our new Crispy Chicken tenders are quickly becoming a fan favorite. Since the relaunch in the first quarter, we've seen strong guest engagement, particularly with new guests, and we're excited by the unique value they offer. In true Wingstop fashion, guests can order their tenders in any of our 12 bold distinctive flavors setting us apart in the category. We're seeing encouraging signs, including higher new guest retention, strong satisfaction scores compared to our previous tenders and a healthy mix of daypart occasion. Most notably, our tenders are driving reactivation of last users at a level we haven't seen any menu innovation in the past 2 years. In fact, the number of new and reactivated guests has tripled since launch, compared to the run rate at the end of 2024.

While frequency hasn't yet reached the level of our core guests, the early results are promising, and we plan to continue leveraging tenders to unlock our fair share of this demand space and its 1.6 billion [handled] tender servings.

This past quarter, we welcomed many of you to Dallas to showcase our new kitchen operating platform, the Wingstop Smart Kitchen. It didn't take long for those in attendance to see what a game changer it is for our guests and team members. I'm excited to say that today, the Wingstop Smart Kitchen is live in 1,000 restaurants across the U.S., and we are on track for a full system implementation by year-end. Although still early, the results from our initial markets are encouraging. Just 4 weeks into their implementation, we're measuring 40% reductions in average ticket times with restaurants ramping faster towards our steady-state operating model. Markets with the Wingstop Smart Kitchen are delivering faster speed or consistent guest experience and sales outperformance, and all of this without additional advertising to the guest. Our restaurants are more consistent with ticket times in the range of 10 minutes, which compares to a prior quote time that was 18 to 20 minutes on our best days. Restaurants with the new Wingstop Smart Kitchen are outperforming. And in our 160-plus restaurants in the Dallas-Fort Worth market, we are seeing meaningfully higher same-store sales growth relative to control restaurants. The Wingstop Smart Kitchen is clearly delivering the game-changing expectations that we established, enabling operational excellence, elevating the guest experience and fueling growth. The guest is experiencing improved speed of service, consistency and accuracy, which is reflected in our guest satisfaction scores and the Wingstop Smart Kitchen restaurants are about 8 points higher than restaurants that do not have our new kitchen operating platform.

We are also seeing improvements in all dayparts, including our lunch and late-night dayparts, which we believe is an untapped opportunity for us. Without the benefit from the Wingstop Smart Kitchen, our delivered times can be in excess of 40 minutes, resulting in us not being in the consideration set for many delivery consumers. With Wingstop Smart Kitchen, we are unlocking delivery times under 30 minutes on the third-party delivery marketplaces, and we are now in the consideration set for those guests. For our restaurants in the Dallas-Fort Worth market, year-over-year sales growth in the delivery channel is outpacing the U.S. average growth rate by mid-single digits.

What's more, our brand partners see the impact of the kitchen operating platform in their team member experience and training, guest feedback as well as insight from the new reporting capabilities, all contributing to enhanced profitability. I can't tell you how many brand partners have told me how much they love the new system, and how much of a game changer it is for their restaurant operations. But most importantly, the results we are seeing from the Wingstop Smart Kitchen are exactly what we had anticipated and are validating the opportunities we have within our strategy supporting our long-term target of scaling AUVs to \$3 million.

Our commitment to innovation is proven, and we have focused investments aimed at driving long-term sustainable value. One of those investments was in our proprietary tech stack, MyWingstop, which recently marked its first full year in operation. In that time, we have harnessed the data gather to provide our guests with relevant personalized and optimized content. We have been continuously fine-tuning our robust guest segments leveraging our segmentation to reach guests and give them a more meaningful experience while mining for additional insights to inform future strategies. Since the launch, our digital database has grown by 30%, now approaching \$60 million. We will continue to invest as we advance towards our aspirational goal of digitizing every transaction.

With the launch of MyWingstop, coupled with our rich database of digital guest insights, we are uniquely positioned to build and subsequently launch a differentiated loyalty program, designed to strengthen guest engagement by encouraging repeat visits and deepening the emotional connection guests have with our brand. It's a clear example of how we're leveraging technology to create lasting value for our guests. We're excited about this next phase in our digital journey and remain on track to pilot our new loyalty program in the fourth quarter with a full system-wide launch planned for 2026.

Our ongoing investments in technology continue to advance us on our path to \$3 million AUVs and further strengthen unit economics for our brand partners, which are translating to industry-leading unlevered cash-on-cash returns of 70%. Brand partners' confidence in our model is showing up in our 2025 pace of new restaurant development. We have opened 255 net new units through the first half of 2025, which is equivalent to the number of units opened during the entire year in 2023, just 2 years ago. And over 95% of those openings are from existing brand partners reinvesting, furthering their commitment to Wingstop. The level of reinvestment by our brand partners truly speaks to the strength of our unit economics. After delivering a record 129 net new restaurants in Q2, we updated our guidance again to 17% to 18% unit growth for 2025. This implies net new units of between 435 to 460 globally. And demand for additional growth with our brand partners remains strong, as we replenish our development agreement pipeline, which now has grown to the highest level of sold restaurant commitments on record.

In addition to the strength in our domestic business, a key contributor to our growth is the exciting progress we continue to make within our international business. Demand is strong and our first half results were impressive. Last month, we hosted our International Summit in Toronto, where Wingstop brand partners and team members from around the world came together to connect, share ideas and spotlight their early successes. It was especially rewarding to see our more seasoned brand partners share insights and advice with those newer to the brand, delivering confidence into the playbook we are executing. But what stood out most, the passion for the brand is real, and it's growing fast.

In the second quarter, we opened our first restaurant in Sydney, Australia, where new Wingstop fans lined up around the block in the pouring rain, just to get a taste of that bold, distinctive Wingstop flavor. Another example is in Paris, where more Wingstop fans lined up for our first flagship restaurant in the city, building on the momentum we established from last year's house of flavor event at the Olympics. Our new international markets are opening at levels surpassing domestic average unit volumes. And in more established markets like the U.K., we continue to see strength, where our newest restaurant shattered Kuwait's recent record for highest global weekly sales. That's brand love in action, and we are just getting started.

We've officially signed two additional markets, and we are set to open the first Wingstop this year in Italy and the Netherlands with several more markets in the pipeline. The world is craving our flavor and Wingstop is delivering. While we recognize the challenging macro environment we're navigating, the resiliency of our model and disciplined focus we have on executing our strategies as well as the game-changing initiatives such as the Wingstop Smart Kitchen and loyalty give us the confidence in our path to \$3 million AUVs.

I want to thank our team members in the restaurants and at the global support center, brand partners and supplier partners for their ongoing commitment and collaboration advancing our vision to become a top 10 global restaurant brand.

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

Alex R. Kaleida

Thank you, Michael. Our second quarter performance highlights the momentum in our global development and showcases the strength of our asset-light model. Through consistent execution of our strategies, we've continued to enhance brand partner returns. In just 3 years, AUVs have increased to over \$2 million, an increase of more than \$500,000. At today's AUVs of \$2.1 million and on a low \$500,000 investment to build a Wingstop, grant partners are seeing unlevered cash-on-cash returns of over 70%. This is driving yet another record-breaking quarter for development, and as Michael mentioned, fueling a record pipeline of sold restaurant commitments. We opened 129 net new restaurants in the second quarter, marking our fourth straight quarter with 100 or more net new openings. System-wide sales grew 13.9% to \$1.3 billion for the quarter, pushing us past \$5 billion in system-wide sales over the last 12 months.

Total revenue increased 12% to \$174.3 million versus the prior year. Royalty revenues, franchise fees and other revenue increased by \$8.7 million in Q2, driven primarily by 464 net franchise openings since the prior year comparable period and partially offset by a 1.9% decline in domestic same-store sales. Company-owned restaurant sales increased \$2.6 million due to same-store sales growth of 3.6%, primarily driven by transaction growth and two net new restaurants versus the prior year period. Our company-owned restaurants have fully implemented the Wingstop Smart Kitchen and are delivering a consistent 10-minute average ticket time, and these results are a good indication of the early success we're seeing with our new kitchen operating platform.

Cost of sales as a percentage of company-owned sales were 75.2% for the second quarter, a decline of 70 basis points. The decrease was primarily driven by sales leverage on labor and operating expenses. Our supply chain strategy to mitigate volatility in food costs continues to pay dividends and is creating predictability for our brand partners. System average food cost has sustained at approximately 34%, which is well within our targeted range of mid-30%.

In the second quarter, SG&A increased \$4.8 million versus the prior year comparable period to a total of \$32.9 million. This increase was driven by headcount-related investments to support the long-term growth of the business, plus \$1.5 million of nonrecurring system implementation expenses associated with our new ERP and HRIS platform. Adjusted EBITDA, a non-GAAP measure, was \$59.2 million during the quarter, an increase of 14.3% versus the prior year. Adjusted EPS, a non-GAAP measure, for the second quarter was \$1 per diluted share, a 1.6% increase versus the prior year. This includes an \$0.18 EPS impact from the additional interest associated with our \$500 million securitization transaction completed in December of 2024.

Proceeds from this transaction were used to enhance shareholder returns, and subsequently funded \$370 million in share repurchases through the first quarter of 2025. We remain focused on creating long-term value to our shareholders through a balanced approach that includes our regular quarterly dividend and remaining \$191 million authorized under our current share repurchase program.

Acknowledging the strong cash flow generation from our asset-light model, on July 29, our Board of Directors approved an increase to our regular quarterly dividend from \$0.27 per share to \$0.30 per share of common stock, a demonstration of the strength of our model. This dividend totaling approximately \$8.4 million will be paid on September 5, 2025, to stockholders of record as of August 15, 2025.

Shifting to our outlook for 2025. Based on the visibility we have into our development pipeline at this point of the year, we are increasing our global unit growth rate to a range of 17% to 18%, previously 16% to 17%. Our new outlook implies a 30-unit increase to our prior outlook in a range of 435 to 460 global net new units for the year. For domestic same-store sales growth, we are reiterating our guidance for fiscal year 2025 of approximately 1%. Our outlook remains dependent on macroeconomic conditions and is based on the most recent information available to us. For modeling purposes, our current outlook anticipates sales growth will return as the third quarter progresses. And as the impact of tougher prior year comparisons begins to moderate in the back half of the third quarter and into the fourth quarter.

We are also reiterating our guidance for SG&A to be approximately \$140 million, which includes nonrecurring system implementation costs of \$4.5 million that will be an add-back to adjusted EBITDA and approximately \$26 million of stock-based compensation expense. With these inputs and for modeling purposes, these assumptions translate to an estimated adjusted EBITDA growth rate that exceeds 15% versus 2024. Our second quarter results underscore the strength and resilience of our model in this uncertain environment. The strengthening industry-leading returns our brand partners are experiencing is fueling global demand for development reflected in our robust pipeline and record pace of growth. We remain steadfast in executing our long-term strategies to realize our vision of becoming a top 10 global restaurant brand.

I want to thank our global support team members, restaurant team members, brand partners and supplier partners for their continued dedication and commitment to Wingstop. With that, I'd like to now turn to Q&A. Operator, please open the line for questions.

Question-and-Answer Session

Operator

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

David E. Tarantino

A clarification question on your third quarter guidance. And I think, Alex, you mentioned that you expect to return to positive comps as the quarter progresses. But are you expecting the full quarter to be positive in Q3? And then maybe as a follow-up, to that. I just wanted to ask about your general confidence in that trend playing out. Is it more of a matter of just running the current trends forward against easier comparisons, or are you expecting some sort of acceleration in the underlying trend?

Michael J. Skipworth

David, and thank you for the question. This is Michael. I'll jump in. I think you've read a lot of others mentioned some weakening with the consumer demand to start third quarter and some industry signals have signaled some softness to the start. And I don't think that's any different for Wingstop. What we've referenced in some of the prior -- our prior call about seeing some softness in a few pockets that over-indexed to lower income or Hispanic consumers, I would say we really haven't seen those pockets improve. And so as we look at the business for the balance of the year and kind of the behaviors that we observe with the guests within our business. Alex mentioned it, we -- our compares ease as we start to exit the third quarter or the back half of the third quarter. And as we run our current trends out, we would expect that to position us to return to growth when we compare that against the strategies that we're executing. And then obviously, as you move further past the third quarter that compares to ease. And so as it relates to our outlook for the full year of approximately 1%, our confidence in delivering on that number is really related to kind of running out the trends we see in the business today, combined with the easing of the compares that we see.

David E. Tarantino

Great. And then just a follow-up. I don't think at least as of the last call, you were assuming much benefit from the Smart Kitchen in the numbers, but it does sound like you're seeing a benefit in the stores that have been. So I guess -- can you just explain kind of what you're seeing in the stores or the restaurants that have had that the longest in terms of whether you want to quantify the lift or however you want to talk about it? And just to kind of frame up what this might look like as you get it fully implemented?

Michael J. Skipworth

Yes, David. We are extremely excited about Smart Kitchen and really just what it means for what's in front of us here at Wingstop and the opportunity is, and we've often referred to it as a game changer and early results that we are seeing are validating that thesis, which is really encouraging for us. But as of today, we're in about 1,000 restaurants with Wingstop Smart Kitchen. And what we're seeing is it really takes about 4 weeks for restaurants to acclimate to the new operating platform and really start to deliver on that targeted speed of service up approximately 10 minutes. And you do see quickly improvements in guest satisfaction scores, obviously, in speed consistency. We called out some of the improvements we're seeing in accuracy as well as overall guest satisfaction, which is super encouraging for us. But I would say that what we're really seeing, and I think the best example is the Dallas Fort Worth market is it feels like once we kind of hit that 4-month mark, you're really starting to see it impact the overall trend in overall sales of the business. And I think you layer in what I talked about around just the amount of training in an effort to get to acclimate to the system for our team. I think you overlay against that just our frequency, where we're still a relatively low frequency brand. It takes a little bit of time for the guest to realize the benefits associated with Wingstop Smart Kitch. And so it feels like about that that 4-month mark, which we hit in the -- towards the end of the second quarter in the [DFW] market. And we called out how we are seeing sales outperformance in that market. And I think a great indication or signal for that is our company-owned restaurants where the majority of that portfolio is in DFW. But our focus, David, it's not about leaning in too early on how we drive sales. Our focus is really centered around best-in- class implementation of this operating platform this year, making sure we're spending the time and investing in training, making sure that we're [indiscernible] on just the capabilities and reporting that we need to ensure that we're delivering on these guests expectations and the benefits associated with Wingstop Smart kitchen for the long term. But early results are very encouraging.

Operator

The next question is from Jeffrey Bernstein, Barclays.

Jeffrey Andrew Bernstein

My first question is just on the unit growth side of things. Your long-term guidance is for 10% plus, and you've exceeded that pretty consistently in recent years. And I know starting this year, you guided to 14% to 15%, but I guess, 10% plus still seem like a reasonable longer-term target. But now you've increased it twice in the first 2 quarters. Now we're talking about 17% to 18%. So I'm just wondering if you could talk about the increased franchisee demand. And maybe if there's anything unusual about the 2025 growth, or should we now think about future years unit growth more in the 15% type range rather than 10%, which you seem to be far surpassing. So any color you could share on that demand and maybe the balance of what you think of U.S. versus international as we think about this in forward years? And then I had 1 follow-up.

Michael J. Skipworth

Jeff, thank you for the question. We're really encouraged by the pace of development we're seeing in 2025. And we said it in our prepared remarks that we think it's a pretty powerful statement towards the strength of the unit economics and the strength of the returns. But as we went into this year, we obviously contemplated the fact that we were asking our brand partners, albeit not a meaningful capital investment but yet as you add up a number of restaurants based on brand partner, we wanted to make sure there was plenty of capital to deploy and implement the Wingstop Smart Kitchen. But what we've seen this year is that capital investment set against the opportunity to expand their footprint with Wingstop hasn't slowed down our brand partners at all. And so I think that's an encouraging sign, and I think a strong statement again to the returns. But then the other half of the story is our international business, which is on pace for a record year there, and you're really starting to see momentum pick up in that business, which is encouraging. So we're really excited about the pace of development, the opportunity we have here today to increase outlook yet again. We talked about it in our prepared remarks that it's hard to believe. Just 2 years ago, we opened 255 net new restaurants for the full year, and we've already hit that number through the first half of 2025. So we are encouraged by that. And as we mentioned in our prepared remarks, even though we are opening a lot of restaurants, the demand continues to grow. Our pipeline has sold commitments sits at a record level today, and we're encouraged by that. But I don't think we're here today to revisit our long-term or short-term targets for unit growth, but it does give us a lot of confidence in our ability to deliver on that long-term algorithm of 10% plus.

Jeffrey Andrew Bernstein

Understood. And then my follow-up is just on the, some commentary about loyalty program. I know in the past, you guys have been somewhat hesitant when you're delivering the results you have been no surprise there. But I'm wondering what details you can share in terms of the structure of the program. I think you said you're going to pilot it in the fourth quarter and maybe roll it out across the entire cystic year. But any thoughts in terms of the type of program or the potential impact on comp or frequency or check or the type of awards you're going to offer any kind of sneak peek into what a Wingstop Rewards program would look like would be great.

Alex R. Kaleida

Jeff, this is Alex. I can take this one. It's pretty exciting for us on the genesis of how we thought about loyalty and rewards and watching the industry, studying that and also amassing this database that's approaching 60 million guests that we've been able to unlock in mine insights around. And you heard us talk a little bit about tenders and the reactivation of lapse. That was a good example of how we've leveraged our hyper personalization strategies to reactivate lapsed users that we can then inform approaches that we're going to have designed into our loyalty rewards program. We really draw aspirations for what we see as best-in-class, those that really tie an emotional connection to the rewards program. So where you're not transacting or you don't have this transactional relationship with a guest, but you're driving a connection to the brand that wants them to be engaged and you're rewarding them with surprises or unique things like even just Wingstop swag is a way for our guests to be rewarded that they're looking for and experiences that they could get access to through our partners that we have on the media side. So there's a wealth of different approaches we're looking at to activate our rewards program. But we think it's going to be something pretty unique in the industry, and we're a bit advantaged with what we have in our digital business that's over 70% strong.

Operator

Next question is from Christine Cho with Goldman Sachs.

Hyun Jin Cho

Congrats on the quarter. You've leaned into kind of the value messaging this year with very compelling deals such as 20 for 20 or 999, 3-piece crispy tender offers? Could you elaborate on how these value deals were received by customers, and what impact they had on average ticket or traffic during the quarter? And also curious what feedback you're receiving from your brand partners regarding these promos, and how it has impacted their 4-wall economics, if at all, doesn't seem like it, but...

Michael J. Skipworth

Christine, thank you for the question. I would say -- maybe I'll start with -- for those who aren't as familiar with Wingstop, what we did with this 20 for 20 bundle, as an example, is a page out of our playbook that we've been executing for years. And it's an opportunity for us to showcase abundance value and quality. And I think you alluded to this in your question, but a lot of other brands when they do promote value that usually comes at the risk of lower margin. And for us, we approach bundles and we approach value and quality, a little bit different than other brands. And I think 20 for 20 is a great example. This bundle performed really well for us. And the reality is that delivered on the food cost on the P&L that's right in line with our target. And the guests clearly saw value and quality associated with this bundle. And what we were really encouraged to see is when you look at the overall basket associated with 20 for 20. It actually carried a higher average check than our typical average check. So we were encouraged by that. So we saw this again as a way for us to lean into our proven playbook and showcase value and quality in a very differentiated weight that Wingstop can do. And we're really encouraged by the results we saw associated with that.

Hyun Jin Cho

Great. Just 1 follow-up. So with kind of that increased price sensitivity and consumer anxiety that you're seeing? Are you seeing any meaningful shift in the percentage of the checks that are on deals or promo, or is there any specific consumer cohorts that are responding more actively to these promos?

Alex R. Kaleida

Christine, this is Alex. Nothing I'd specifically point to. We've talked about just generally speaking, the pockets where we've seen some consumer under a little more pressure that low-income Hispanic consumer. Mike mentioned earlier that that's been consistent with what we've seen from the start of the year. And in that situation, there's been some ticket management, but they're still finding ways to engage with Wingstop. And I think we're really encouraged by that.

Operator

The next question is from Brian Harbour with Morgan Stanley.

Brian James Harbour

Morgan Stanley, Research Division

With those stores that have smart kitchen deployed, I mean, have you sort of seen a pickup in delivery mix? I know you said that sort of like all dayparts were seeing the benefit, but are you seeing more of a benefit where you expected? And I know that your digital mix is still kind of been ticking up here the last couple of quarters. Is that part of what you're seeing as well?

Alex R. Kaleida

Brian, thanks for the question. There is a little bit of a difference we're seeing in performance on comp for restaurants that have Smart Kitchen by daypart. Lunch in late night is a hypothesis we've had without advertising. We're seeing a little bit of an uptick in performance at the daypart level for lunch and late night. The other aspect to what you mentioned is on delivery. When we measure results for Smart Kitchen restaurants on delivery sales on what restaurants are performing at on an average weekly basis, restaurants with Smart Kitchen are seeing about a mid-single-digit growth rate differential versus restaurants that do not have Smart Kitchen. And again, that ties to us being in the consideration set for fastest near you or guests that are filtering under 30 minutes. And we haven't advertised in those platforms either. That's just the guest naturally engaging with us and finding us in those filters.

Brian James Harbour

Morgan Stanley, Research Division

Okay. Got it. Have you seen -- as you've opened faster recently, have you seen any change in what you would typically observe as sales transfer from new store openings?

Michael J. Skipworth

No, Brian, I think we've got a pretty well sought out development strategy, we refer to them as playbooks built down to the market level that really outlined kind of the sequencing, and who we are growing with in each market that map us to the broader opportunity we believe we have here in the U.S. business. And we always look at and measure if there's any impact to other restaurants. And I think we got a similar question last quarter, and nothing's really changed materially from that. It's not a material number to the overall business.

Alex R. Kaleida

And Brian, I would just add that when we set our new targets, we thought about just the overall TAM for the U.S. at 6,000-plus restaurants updated from 4,000 plus as well as the AUV at the same time, moving from a \$2 million target to now a \$3 million target. And so within these playbooks, we have a lot of data down to pens on maps, trade areas identified as well as predictions of sales both restaurant level as well as what the market can see. So I think that shows in how we set these new targets, our confidence in scaling this beyond our existing range.

Operator

Next question is from Jim Salera with Stephens.

James Ronald Salera

I was hoping you guys might be able to provide a little bit more detail on the record-breaking new unit openings. Are you able to offer any color on how many of those are in kind of existing established markets versus entrants into newer kind of expansion markets? And then maybe as a part 2 to that, does the unlock from the Smart Kitchen, do you find that there's actually more consumers that are closer to each restaurant that you want reaching before. And so perhaps the density in each market could be higher with a greater efficiency from the Smart Kitchen.

Michael J. Skipworth

Jim, thanks for the question or multiple questions. But on the first one, what I would say is we opened restaurants in the second quarter in -- as an example, in 46 different states. And so pretty diversified development for us. And so I wouldn't really say anything was concentrated by any means in any certain market or area. As it relates to your second question around Wingstop Smart Kitchen, I think really, we take a step back, and we've shared a little bit about this, but we understand like our guests, we understand the core occasion that Wingstop is best positioned to win in. And we've shared this number before, but we're winning of that core demand space, a little over 1%. And when we benchmark other brands to their core demand space, most are winning about 20%. And so there's a pretty meaningful opportunity or a meaningful number of occasions that are out there for us to win our fair share that we strongly believe Wingstop Smart Kitchen is going to unlock. And so when we did the work that Alex described earlier, which was not only putting pins on a map and building out the development strategy to our TAM of over 6,000, we also looked in each and every 1 of those trade areas is understood a lot about the consumer -- the demand space. And in conjunction with that work we did to arrive at over 6,000 units in the U.S. We also increased our AUV target to \$3 million, and it really ties back to winning our fair share of the demand space that we're best positioned to win in. And this all letters back to those strategies we've been talking about for years, expanding brand awareness, menu innovation, delivery channel expansion digital transformation and continuing to use data to drive our marketing that we have the insights around. And so all of that is bolstered by Wingstop Smart Kitchen. So I wouldn't say this is necessarily a change or new unlock. It really just is enabling and strengthening the strategies that we're executing against today.

James Ronald Salera

Got it. And then just since you mentioned marketing talent in your answer, do they thought you can offer given we'll be entering football season with a lot more visibility on the third-party platforms. Anything can tease on marketing or anything that would drive greater visibility and maybe for some...

Michael J. Skipworth

I guess if you take it -- I'm sorry, go ahead, Jim.

James Ronald Salera

No, no, no. You answer...

Michael J. Skipworth

I may have lost you there. But I think if you take a step back, and we just look at our media investment throughout the year, Q4 will be our highest investment out of all of 2025. So we have that. But we're -- we feel like we're executing a playbook that's working. We have great partnerships that we're leaning into. Obviously, we were an early partner of Amazon when they took over Thursday Night Football, and we were able to lean in and co-create some commercial with them and using some of their talent. Amazon is now taking on NBA, which gives us another opportunity to lean in early there as well. And then obviously, we're leaning into culture where it makes sense. So we'll continue to execute against the playbook that we're executing against today that we feel like is working. But we're excited about football season. I think the consumer is excited about football season, and so we're encouraged about the back half of the year.

Operator

The next question is from Andrew Charles with TD Cowen.

Andrew Michael Charles

Curious in terms of the reiterated guidance, July seems weaker than you anticipated along with the industry. So curious about the mechanics where was the offset? Was it that 2Q outperformed expectations? Or is there perhaps more consideration for smart kitchens versus prior forecast that didn't include any impact from Smart Kitchen in the back half of this year?

Alex R. Kaleida

Andrew, it's Alex. We haven't considered any benefit from Smart Kitchen and our outlook as well as any change in the consumer and any additional macro pressure that broadens more than what we're seeing today in these pockets. So I think it was that as it relates to how we thought about the quarter and the start. Certainly, you're hearing more commentary around the start of July across various industries with the consumer pressure. But I think us reiterating our guidance shows us the confidence in our strategies that we're executing. In the third quarter, we expect and anticipate that we would return to growth at the end of the quarter that positions us well in Q4 to hit our guidance of approximately 1%.

Michael J. Skipworth

And Andrew, I'll just add that when we provided our prior outlook, we made the reference that it was based on recent trends in the business and kind of modeling that out and looking at compares as they ease to the balance of the year, obviously, pretty materially in Q4. What we would say about Q3 is it kind of looks a little bit similar. And so there are similar trends that we're forecasting off of. So I wouldn't say a material change. But I think it's kind of interesting if you're debating a point here or point there, but if you look at just the contribution of the incremental net new restaurants that we're opening, it's pretty powerful to our asset-light model. But we're pretty proud of our results for Q2, particularly when you look at the environment we're operating in, where the consumer sentiment is, and we take a look -- take a step back and you kind of look at our business and on a 3-year basis to be driving cells over 40% is a pretty strong testament to the staying power of the multiyear horizons of our strategies. And so we're pretty encouraged by those results. And most importantly, we're really excited about what's in front of us as it relates to Wingstop Smart Kitchen, which is truly a game changer for our business or getting to sit in, as Alex mentioned, in the design meetings around loyalty and understanding how that's going to continue to bolster the strategies we're executing to continue to scale AUVs towards that \$3 million target.

Andrew Michael Charles

That's very well said. My follow-up question was just on the pockets of challenges that you're citing. What tools do you have your toolkit to help address this more. Obviously, 20 for 20 was nationwide, but I would think value initiatives could be something. Is there an opportunity to step on the gas a bit more of advertising. You guys did a flavor innovation on Mexican street corn. Just kind of curious what are the other items here to help accelerate performance in those pockets.

Alex R. Kaleida

Yes. I think, Andrew, you kind of answered the question. It's the component of our playbook that you're seeing us activate showcasing abundance, quality and value that really differentiates the Wingstop experience, flavors a fun way to engage our guests. We had a great flavor last quarter in Mexican street spice that we launched. You'll see additional labor news coming out from us that really finds ways to engage the guest and remind the consumer that high-quality, high-value occasion that Wingstop offers.

Michael J. Skipworth

And we've said this before, Andrew, but we kind of -- we believe some of these -- the softness in some of these pockets that we do see is temporary as well. And so we do expect to get on the other side a bit over time.

Operator

The next question is from Andy Barish with Jefferies.

Andrew Marc Barish

Can you just kind of give us a little sense of sort of the huge unit growth year this year, just how we should be thinking about kind of some maybe normalization next year, or maybe total unit count up or down a little bit? Just -- yes, just trying to kind of get our arms around how huge the development has been and maybe this is the run rate for now.

Michael J. Skipworth

Andy, thanks for the question. It's -- we're obviously pretty excited about and encouraged about the pace of development. And what's pretty wild is it wasn't that long ago, we just celebrated hitting 2,000 restaurants as a system. And based on our outlook for this year, we're already going to be at the 3,000-unit milestone, which is pretty exciting for us. We mentioned that the pipeline of sold commitments is at a record level. And so the demand is there. We're obviously not in a position to provide any sort of outlook or guidance related to 2026. But what we're going to remain focused on is disciplined and sustainable growth and delivering on our long-term algorithm. And I think really what you're seeing in 2025 is what we talked about over the past couple of years is we were making investments, and it was showing up in our G&A, but making investments in process and systems and people and resources and the team. And our brand partners have been making investments as well. And so I think you're seeing a lot of those investments that we often reference that we're making to position this thing for growth and scale really coming to life in 2025. And so we're encouraged by that.

Andrew Marc Barish

Got you. And then just a follow-up on the the labor line, which saw some leverage obviously in the company-owned stores that have Smart Kitchen. Can you just talk to -- I know it's already a very efficient back of the house, but is there -- is there anything out there, or does this just kind of show that, hey, you can run higher volumes with the same team, and they're just getting more efficiency out of the technology.

Alex R. Kaleida

Andy, this is Alex. Yes, that's right. We talked about how this Smart Kitchen can improve the team member experience, simplify operations and make that back of house that kitchen operations much more efficient. So I think you're seeing that play out in the corporate restaurants. We do have a little bit of a dynamic in both labor and operating expenses related to the exit of our -- or the refranchising of our New York market from last year. But I'd say a combination of what you're seeing, and this is probably a good run rate for us what you saw in Q2 as a way to think about corporate restaurant -- the corporate restaurant labor line. And we did, as we talked about as well with frozen fries, we took out -- with the launch of Frazer Fries, we took out some of the prep labor that's associated with that, hand-cutting fries every day in the morning. So I think we're getting a little bit of the benefit of that showing up as well.

Operator

Next question is from Gregory Francfort with Guggenheim.

Gregory Ryan Francfort

My question, maybe it's a little nuanced, but your customer is lower frequency than some of the other QSR categories. But I think you have some customers that are probably coming 15, 20 times a year. Have you noticed with the Smart Kitchens, or are you able to detect at what kind of point that customer notices that you've gotten faster and that the operations are better and changes their visitation patterns? Is it on the first or second visit? Is it a couple in? Any thoughts on or just color there?

Michael J. Skipworth

Thanks for the question. Some of this is a little bit anecdotal, but we can clearly be in restaurants with Smart Kitchen and see and hear guests just react to the improvement in speed, the consistency and the experience. But we talked about it in some of our earlier comments. But when we look -- do look at our frequency, it seems like we kind of hit a sweet spot in the DFW market at about 4 months in. But there's no question for those higher frequency guests. You're seeing benefits sooner as they realize the additional benefits associated with the Wingstop Smart Kitchen. But I would say, we talked about the the improvement in comps versus control. We pointed to our corporate restaurants as a good proxy. I wouldn't say that those deltas were overnight. And so it obviously kind of gradually has continued to grow and improve there. But again, as we take a step back and look at what's in front of us and the opportunity we have here with Wingstop Smart Kitchen, we're pretty excited, and we feel like it really gives us a lot of confidence and mind of sight into scaling AUVs to \$3 million over time.

Operator

The next question is from Sharon Zackfia with William Blair.

Sharon Zackfia

We've heard a lot of companies talk about kind of having to increase the pace of innovation or create more calls to action in this environment. And I know you also have that with your value messaging. But I'm curious on the pace of innovation, just given success with the relaunch of Tender. How are you thinking about that for the balance of '25? And is there an opportunity to accelerate that into '26 as you've got the smart kitchens fully rolled out.

Michael J. Skipworth

Thank you for the question. You mentioned tenders and the relaunch of tenders, and the feedback from guests has been very strong. And I believe hands down. We have the best tender on the market, but tenders in and of itself, I think it's a great example of menu innovation at Wingstop, but yet really we're just scratching the surface. There's 1.6 billion chicken tenders served annually. And we are a long way from winning our fair share. We compare against that Chicken Sandwich occasions annually of 2.8 billion. And while we're encouraged by what we've seen with chicken sand, which we still see a ton of upside there. And for us, both of -- when we look at the upside in both of those occasions and layer that against how Wingstop Smart Kitchen is going to position us to win our fair share, we think we have a lot of runway in front of us. And so as it relates to innovation and Alex mentioned this earlier, I think you're going to see us continue to lean into flavor as a way to create new news, create engagement and excitement with our Wingstop fans. But when we look at sandwich and tenders and 2 examples, we see a ton of runway in front of us.

Sharon Zackfia

And as a follow-up, I know you mentioned lunch and late night as particular opportunities. Are there any products that you have in the queue or any flavors that you think will really resonate with those dayparts?

Alex R. Kaleida

Sharon, I think it's a bit of what we just talked about with sandwich and tenders. We've seen sandwich since the launch index a bit higher at the lunch occasion. Tenders was nominally higher, maybe not to the same extent as sandwich. But I think in both cases, more broadly speaking, across restaurants, you do tend to see those index higher and perhaps a launch in late night. So I think we can take advantage of that. When we have something like Smart Kitchen, we're delivering on the speed expectations for our guests.

Michael J. Skipworth

And just to add on to Alex's comment, I don't know that we necessarily need any new products. But as we think about those 2 dayparts launch or late night, there could just be things we do with combos and packaging that physician, existing products in a way that drive engagement with guests.

Operator

Next question is from Chris O'Cull with Stifel.

Christopher Thomas O'Cull

Michael, the marketing fund continues to increase substantially. And I know you've moved the needle on the quality and quantity of placements over the past few years. So I was hoping you could just discuss what doors continue to open as the fund grows. Are there any key inflections where you can invest at a level that might disproportionately bring more visibility to the brand?

Michael J. Skipworth

Chris, thanks for the question. No, you're right. Our ad fund has been growing at a pretty consistent pace of system sales. And we're encouraged by that, and we feel like it's giving us continued AMO to chip away at this meaningful opportunity we have to close the gap to other more mature scale restaurant brands as it relates to brand awareness. We feel like a lot of the strategies we're executing are working, but we do see opportunities to lean in and some other areas [indiscernible], I mean you've heard us talk about WWE as an example. We did a test last year. And so we saw that as an opportunity this year to lean in. As we look at the fans of WWE. They look a lot like Wingstop fans, but majority of them don't know us or don't engage with our brands. So a ton of opportunity there for us to lean in. And then you can even go 1 step beyond that and look at the UFC, another area that we've seen an opportunity to [Audio Gap] additional channels like that or additional areas like that to continue to expand awareness. But even if you take an example like the NFL, we're [indiscernible], but yes we still have a lot of [Audio Gap] chip away at making a bigger impact with that partnership and in that presence and with that audience. But I wouldn't say there's going to be a fundamental shift in our strategy, but us continuing to lean in into what's working.

Christopher Thomas O'Cull

And then I had a follow-up on delivery. Just given the improvement you're seeing in quote times and placements, does that increase the attractiveness of deploying some incremental marketing investment on these 3 platforms over the next few quarters?

Michael J. Skipworth

Chris, I would say, first and foremost, it's pretty incredible how many consumers when they engage with DoorDash or Uber Eats they start their decision-making by opening 1 of the categories that Alex mentioned earlier of under 30 minutes or fastest near you. Historically, Wingstop wasn't even in that category -- either of those categories, so we weren't in the consideration set. And so for us, and I think the early results that we're seeing are simply Wingstop getting into the consideration set for this large group of users of delivery that are looking for speed and looking for consistency. And so we're excited about that. And as it relates to lean and then from an investment perspective, we continue to opportunities within that platform, within that channel to invest, but most importantly, we continue to receive co-investment behind our brand because both DoorDash and Uber Eats like our business a lot and the size of check that comes with it. And so we're continuing to lean in and push them and get as much as we can there. So early results from Smart Kitchen are really, really encouraging as it relates to the delivery channel.

Operator

This concludes our question-and-answer session, and the conference has also now concluded. Thank you for attending today's presentation. You may now disconnect.

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