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Wingstop Inc. (WING) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-04 Earnings Summary

Insights

EPS of \$1.09 **beats by \$0.17** | Revenue of \$175.74M (8.15% Y/Y) **misses by \$9.59M**Wingstop Inc. ([WING](#)) Q3 2025 Earnings Call November 4, 2025 10:00 AM EST

Company Participants

Sarah Niehaus - Senior Director of Investor Relations & Corporate Finance

Michael Skipworth - President, CEO & Director

Alex Kaleida - CFO & Senior VP

Conference Call Participants

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
Andrew Charles - TD Cowen, Research Division
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Jeffrey Bernstein - Barclays Bank PLC, Research Division
Andrew Barish - Jefferies LLC, Research Division
Sara Senatore - BofA Securities, Research Division
Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
James Salera - Stephens Inc., Research Division
Dennis Geiger - UBS Investment Bank, Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to Wingstop Inc.'s Fiscal Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, Tuesday, November 4, 2025. 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 Third 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 each of you please keep to one question and a followup to allow us 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*

Good morning, everyone. We appreciate you joining our call. Coming into 2025, our priorities were clear: accelerate our global footprint as we scale towards our goal of over 10,000 Wingstop restaurants, execute the national rollout of our new kitchen operating platform across our 2,500 domestic restaurants and delivered average unit volume growth as we scale towards our target of \$3 million, following 2 industry-leading years of same-store sales growth, stacking comps of roughly 40%. Through the first 3 quarters of 2025, we have opened 369 net new restaurants, representing a 19% unit growth rate, well surpassing our expectations.

And we are quickly approaching 3,000 restaurants globally, not even 1/3 of our potential. System-wide sales have grown by 13%. And on a trailing 12-month basis, system-wide sales exceeds well over \$5 billion. The strength of our highly franchised asset-light model has delivered 17% adjusted EBITDA growth in the same time frame. And as of this past week, we have implemented our new kitchen operating platform in over 2,000 restaurants, keeping us on track to have the national rollout completed by prior to year-end. We shared earlier this year that certain regional pockets, which over-indexed to Hispanic and low-income consumers were experiencing some softness in sales as we lap 2 consecutive years of industry-leading same-store sales growth.

During the third quarter, we saw this dynamic broaden across the industry and within our business to more geographies as well as to the middle-income consumer in some areas, resulting in a 5.6% decline in same-store sales in Q3 that was below our expectations. We believe this is only temporary and the current consumer environment will prove to be cyclical. While none of us can predict the duration, where I am focused is on the strategies we are executing that position Wingstop to return to same-store sales growth and further strengthen our already best-in-class unit economics.

What gives me confidence is the underlying fundamentals and health of the brand that remains strong and the early results we're seeing from our strategies being implemented in 2025. Let me touch on each of these strategies we are investing in that we believe will scale AUVs towards our target of \$3 million. First, our new kitchen operating platform, Wingstop's Smart Kitchen is truly a game changer. As I mentioned earlier, we are live in over 2,000 restaurants. We are seeing more and more restaurants that have been on the new kitchen operating platform start to consistently deliver a 10-minute speed of service, truly incredible to think about. That's over a 50% reduction from our prior speed of service levels.

Our consumer research and early results in markets with the Wingstop Smart Kitchen show that speed and consistency are sizable opportunities for us to become more of the consumers' consideration set. Our brand partners are fully bought in, motivated to execute our new operating standards and maximize the investment they are making. Our Southwest region, which has the highest concentration and longest tenure with the new kitchen operating platform is consistently delivering these 10-minute speed of service levels with 100% of restaurants seeing improvements in guest satisfaction scores, particularly in areas such as accuracy and consistency.

Additionally, during the last quarter, same-store sales growth in the Southwest region had a mid-single-digit delta versus the U.S. average. What we're learning is restaurants begin seeing measurable improvements in guest scores following 8 weeks of go-live and sustaining performance into a 3- to 6-month window from implementation where new guest retention rates and frequency strengthen, reinforcing that the benefits are consistent, repeatable and scalable across the system. As we enter 2026 and begin supporting this game-changing improvement in our speed of service levels with marketing, we anticipate this curve will start to accelerate and position us to win more share of occasions in our demand space.

Second is our new marketing campaign. Let me first help explain our core demand space where Wingstop is best positioned to win and who we need to target to fully appreciate the significance of this new campaign. It starts -- it's a party size of 2 or more adults who prioritize a high-quality restaurant experience and access brands through off-premise occasions. These guests aren't anchored to a specific demographic, they are equally representative across ethnicity, income level or age. The fact is, today, we are only winning roughly 2% of this demand space, and we believe we have a runway to gain our fair share at 20% over the long term.

It starts with filling the top of the funnel and attracting new guests into the brand. Our gap in awareness to larger, more mature national brands is more than 20%. And as consumers become aware of your brand, consideration becomes an unlock where we have an even larger gap to these same brands. This is where our new ad campaign comes into play. The tagline is Wingstop Is Here. Our new campaign will showcase how Wingstop fits into everyday life moments, a friend hosting dinner for game night, streaming a show with your plus one, a quick lunch with coworkers or that late-night indulgent craving only Wingstop can fulfill, insights and moments informed by our more frequent guests. It is equally centered on reminding our core fans of that indulgent Wingstop occasion they know and love and educating new guests on how Wingstop fits into everyday life.

Our new campaign is centered around broadening the top of the funnel and bringing in guests and occasions we are best positioned to win. I am extremely excited to see the interplay of this new marketing campaign and our new kitchen operating platform, the Wingstop Smart Kitchen, come to life, and I believe it will be a powerful unlock for our business. The third strategic investment is loyalty. We have a best-in-class digital platform, representing over 70% of sales. And we have a master database of over 60 million users, all without a loyalty program. Our technology platform, which we refer to as My Wingstop has positioned us for that next natural extension of our digital journey with the launch of a loyalty program that we are branding as Club Wingstop.

The addition of our loyalty program is just another tool in our digital flywheel that would allow us to drive behavior and win more of those occasions we are best positioned for. It will connect our rich first-party data with personalized offers and experiences to increase frequency and lifetime value. Club Wingstop will bring a hyper-personalized digital experience to life in a way that only Wingstop can, not through discounting, but through curated one-of-a-kind access to content, flavors, merchandise and experiences. We are currently in the pilot phase. Sign-up rates and guest engagement are ahead of our expectations. Based on early results, it's validating the extensive research and insights from our existing personalization strategies that informed the design of our program.

It will truly be a differentiated loyalty program that we can bring to guests. We're on track for a national launch of our loyalty program by the end of the second quarter in 2026. As we look to 2026 and consider our Wingstop Smart Kitchen, our new ad campaign and loyalty all coming together, there is a lot to be excited about, and I believe positions Wingstop well for this next phase of growth. Just last month, we hosted our brand partners at our annual franchisee conference. You could really feel the energy and enthusiasm in the brand. And it was clear they share my excitement around these investments we are making to support this next phase of growth for Wingstop. The opportunity to scale Wingstop to over 10,000 restaurants globally remains significant.

We are now opening more than 1 Wingstop per day. The demand from our brand partners is as strong as it's ever been. It holds true for a 5-restaurant brand partner or a 100-plus restaurant brand partner. We are executing our development strategy through our market-level playbooks that allow us to grow in the most sustainable way and maintain our industry-leading unit growth. In our most recent quarter, over 70 unique brand partners opened a Wingstop in over 100 different markets across the U.S., which really showcases the breadth and depth of demand for unit growth across our brand partners.

Based on the strength of our pipeline, we now have line of sight into delivering a unit growth rate in the mid-teens range for 2026, well above our long-term algorithm of 10% plus unit growth. Outside of the U.S., we are making tremendous progress with new market openings, and our growth rate continues to accelerate. We've opened in several countries throughout the GCC, launched a brand-building site in the Netherlands, expanded in France with multiple flagships and are preparing to launch in Ireland, Thailand and Italy. We're proving that the world needs our flavor and brand partners need our best-in-class unit economics. And we're just getting started in bringing Wingstop to guests around the world.

Most recently, we finalized a landmark agreement for Wingstop in India, a market with an opportunity of over 1,000 restaurants. Our international success shows the strength of the brand and the significant global runway still ahead. As of the end of Q3, our development pipeline yet again sits at a record level and just continues to build, a powerful signal that our brand partners see what we see, a runway for sustained profitable growth supported by industry-leading returns. As our business continues to scale, we believe our obligation to give back grows as well.

About a year ago, we announced our partnership with St. Jude's Children's Research Hospital. The work that is happening at St. Jude's is remarkable, and our brand partners, team members and fans have embraced the opportunity to contribute to St. Jude's life-saving mission, finding a cure for childhood cancer. Since this partnership started a year ago, I'm thrilled to share that we have raised nearly \$3.5 million as a system, and we're not going to stop there. We believe in St. Jude's cause and see this as a lasting partnership opportunity for our brand. There's a lot to be excited about at Wingstop. We are focused on executing against strategies that we believe will position Wingstop well for the next phase of growth, providing line of sight for continued AUV expansion and maintaining industry-leading unit economics as we continue to expand our global restaurant count towards our goal of over 10,000 restaurants.

The progress we've made in rolling out the new Wingstop Smart Kitchen platform, building our loyalty program and opening over 350 net new restaurants globally in just 9 months is a testament to the people who are relentlessly focused on scaling Wingstop into a top 10 global restaurant brand. Our strategy is only as good as those executing, and I want to take a moment and thank our brand partners, supplier partners and team members across the globe for their efforts. With that, I'd like to turn the call over to Alex.

Alex Kaleida*CFO & Senior VP*

Thank you, Michael. Our third quarter performance is a testament to the continued strength and resiliency of our highly franchised asset-light model, delivering 10% system-wide sales growth, 19% unit growth and nearly 19% adjusted EBITDA growth. This performance reflects our disciplined focus on the long term, not reacting impulsively to the short term, but rather executing against our proven playbook. Our success in the last 3 years has been fueled by this playbook. And while we're navigating an evolving consumer backdrop, our unit economics continue to hold strong, driving an industry-leading unit growth outlook.

By staying committed to our strategies, investing behind initiatives such as the Wingstop Smart Kitchen and our loyalty program, we believe this is positioning us to be able to win our fair share of our core demand space and continue driving sustainable best-in-class returns for our brand partners and shareholders alike. Our highly franchised model continues to generate durable capital-efficient growth. System-wide sales grew in the third quarter to \$1.4 billion, fueled by 114 net new restaurant openings, marking our fifth consecutive quarter of adding more than 100 net new restaurants. Through the first 9 months of the year, we've opened 369 net new restaurants at a unit growth rate of 19%. The appetite for expansion across our brand partner base has never been stronger.

We're experiencing record demand for new development with brand partners reinvesting behind the strength of our unit economics and returns. We expect to maintain this elevated pace of development into 2026 in the range of a mid-teens unit growth, well above our long-term algorithm of 10% plus unit growth. Total revenue increased 8.1% to \$175.7 million versus the prior year. Royalty revenue, franchise fees and other increased \$6.8 million, of which \$10.6 million was due to net new franchise development, partially offset by a domestic same-store sales decline of 5.6%. When stacking 30.6% same-store sales growth over the last 3 years, this has translated to more than \$500,000 in AUV growth.

Domestic AUVs are now at \$2.1 million with industry-leading unlevered cash-on-cash returns of 70% plus on an average upfront investment of \$500,000. That's why our brand partners continue to lean in, which showcases the attractiveness of our unit economic model. Our company-owned restaurants continue to perform very well, delivering same-store sales growth of 3.8% in the quarter, outpacing the broader system. These restaurants serve as an early indicator of the impact we're seeing from the Wingstop Smart Kitchen that's translated into a meaningful operational and financial impact.

The Wingstop Smart Kitchen continues to validate the long-term opportunity to drive both transaction growth and margin expansion. Our company-owned margins also continue to expand with company-owned restaurant cost of sales declining by 300 basis points versus the prior year in Q3 to 74.8% of sales, primarily due to lower bone-in wing costs and sales leverage on labor and operating expenses. Our supply chain strategy continues to serve us well, providing stability in food costs and visibility that allows our brand partners to plan with confidence, a key advantage in this environment. We have line of sight into food and packaging costs throughout 2026 at our targeted range in the mid-30%, which was shared recently at our brand partner conference, further generating their excitement in our unit economics.

SG&A decreased \$1.6 million to \$30.7 million, driven by lower headcount-related expenses, primarily associated with lower short-term and stock-based incentive compensation, partially offset by system implementation costs associated with our new ERP, human capital and global development platform. Adjusted EBITDA, a non-GAAP measure, was \$63.6 million in the third quarter, an increase of about 19% year-over-year. Adjusted EBITDA for Q3 was our highest single quarter on record. Adjusted earnings per diluted share was \$1.09, a 15.6% increase compared to the prior year. This includes a \$0.24 impact from the additional interest expense associated with our \$500 million securitization transaction completed at the end of 2024.

Both metrics reflect the strength and profitability of our asset-light operating model. It's this operating model that fuels our return of capital strategies centered upon enhancing shareholder returns. In recognition of our strong free cash flow generation and our commitment to returning capital to shareholders, on November 3, 2025, our Board of Directors authorized and declared a quarterly dividend of \$0.30 per share of common stock, resulting in a total dividend of approximately \$8.3 million. This dividend will be paid on December 12, 2025, to stockholders of record as of November 21, 2025. In addition, during the third quarter, we repurchased and retired 140,103 shares of common stock at an average price of \$285.26.

At the end of the quarter, \$151.3 million remained available under our existing share repurchase authorization. Since the inception of our share repurchase program in August of 2023, we have repurchased and retired over 2.3 million shares of common stock at an average price of \$260.45 per share. Turning to guidance for 2025. We are updating our full year outlook for domestic same-store sales to a decline of 3% to 4%. We believe our updated outlook is reflective of new data points on the consumer over the last couple of months and the broader softening of the macro environment. Importantly, however, the fundamentals of our brand remain strong. The combination of expansion at the top of the funnel to capture more of our demand space, execution of our new operating standards with the Wingstop Smart Kitchen and the late Q2 launch of Club Wingstop positions us for a return to same-store sales growth during 2026.

And we believe our industry-leading momentum and unit growth will continue. As a result of the visibility we have into our development pipeline, we are increasing our global unit growth guidance to a range of 475 to 485 net new restaurants for 2025, a testament to the ongoing confidence our brand partners have in the model and the compelling returns they are realizing. Additionally, we are updating our SG&A guidance to a range of \$131 million to \$132 million, which includes approximately \$26 million of stock-based compensation expense and \$4.5 million for nonrecurring system implementation costs, both of which will be an add-back to adjusted EBITDA.

As we look ahead, our focus remains on executing the long-term strategies that have driven Wingstop's success since becoming a public company 10 years ago. In this time frame, our AUVs have scaled from \$1 million to \$2 million. We have opened more than 2,100 restaurants globally. System-wide sales have grown from \$800 million to north of \$5 billion. We've enhanced unit economics and unlevered cash-on-cash returns increased from an industry-leading 50% to 70% plus. And we've returned over \$1 billion of capital to shareholders alongside a TSR of over 1,200%. Yet when we reflect on our strategies and the opportunity in front of Wingstop, it feels like we're just getting started. We're continuing to execute with discipline, and we believe we're entering the next phase of growth that is centered on scaling AUVs to our \$3 million target, maintaining best-in-class returns and expanding our footprint globally to more than 10,000 restaurants.

Coming off our annual Brand Partner Conference last month, conviction in our long-term growth has never been stronger. Our brand partners believe deeply in this brand and are signing up to open more Wingstop. The energy and optimism across the system are powerful proof points of the health of the business. I, too, share that excitement and couldn't be more energized by this next phase of growth for 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] Our first question comes from David Tarantino from Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

My question is on the comp outlook. I think if I look at your full year guidance, it would imply a pretty low number for Q4, maybe worse than what you reported for Q3. So I guess first question is, is that how you're running quarter-to-date? Or are you trying to leave yourself a little bit of room given the uncertainty in the environment? Any way to frame up how you're thinking about Q4? And then I have a follow-up on that.

Michael Skipworth

President, CEO & Director

David, thank you for the question. I think we obviously acknowledge that there's some near-term choppiness in the business and in the overall industry. I think as we take a step back and look at how the business trended during the third quarter, which we did, in fact, expect the third quarter to be negative, but the industry saw a consumer -- a change in the consumer trend, and we're not immune to that. And the reality is we over-index to this consumer that's under the most pressure. But I think similar to the trend that we saw as we exited Q3, we expect that trend to somewhat continue into Q4 just based on the current data that we have.

I will tell you, we have seen that trend stabilize within the fourth quarter. But then I think most importantly, David, we take a look at kind of the data that we have and the visibility that we have into the business, and we're actually pretty encouraged by what we see despite the overall comp number for Q3. We see growth in our largest daypart as dinner as an example. The fastest-growing cohort within our database is that \$75,000 household income and above. And so there's some really encouraging data points that we think put us in a unique position to really not feel like we have to solve for the near term, but really stay focused on the investments we're making to position the brand for this next phase of growth.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Great. And my follow-up is, Alex, I think you mentioned that you're confident or you expect comps to be positive in 2026. I guess maybe what would be helpful is just to kind of lay out the path you think the comps take as you move into next year and what some of the key drivers of returning to positive might be, whether it's easier comparisons or whether the Smart Kitchen rollout or the loyalty program, I guess, what is the catalyst that's going to get it positive? And then how are you thinking about the timing of that? Is it later in the year? Or is it earlier in the year? Anything you could offer would be helpful.

Alex Kaleida

CFO & Senior VP

Yes, David, thanks for the question. Obviously, there's, as Michael mentioned, some near-term choppiness the industry is navigating right now. But I think for Wingstop specifically, there's unique drivers in our business. And as we commented on our outlook for '26, what we're seeing in early signs from the Wingstop Smart Kitchen, one of our largest regions is seeing -- saw a positive comp last quarter, a very large mid-single-digit delta versus the system average and performance. That region has the highest concentration, longest tenure on the Wingstop Smart Kitchen.

Then we think about loyalty, which we're targeting to launch by the end of Q2, that coming together to complement our hyper-personalization strategies, really unlock this database of 60 million users that we have access to. We'll be rolling that out. And then this new advertising campaign that we're seeing that's really going to open up the top of the funnel. So we as we open the top of the funnel, we're bringing new guests into the brand, and we're now delivering on those opportunity areas that we've talked about over the last year plus on delivering against speed and consistency. And so as that comes together into 2026, we're confident in our ability to deliver that sustained same-store sales growth that we've guided to over the long term.

Operator

Our next question comes from Danilo Gargiulo from Bernstein.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

Michael, I have a question on the Smart Kitchen incrementality. You're mentioning that you're still seeing a mid-single-digit incrementality in the areas where you have the highest concentration of Smart Kitchen. And I was wondering if you can give an estimate of how long do you think the change management will take to see the benefits across the franchise stores? And perhaps also if you can comment on the biggest delta or what are some of the challenges that franchise stores might be seeing in delaying the implementation and following the change management that you're suggesting?

Michael Skipworth

President, CEO & Director

Thanks, Danilo, for the question. I think one of the things that I'm most excited about as it relates to the Wingstop Smart Kitchen is the fact that we're introducing a new operating standard for Wingstop. This is a transformational change for our business, and we unveiled that new operating standard to our brand partners at our business meeting we had with them last month, and they're bought in. And we think this new operating standard is going to position us to win more occasions that Alex talked about earlier, position us to deliver on quality, that indulge Wingstop occasion on a consistent basis.

And as more and more restaurants are executing Wingstop Smart Kitchen and delivering on our new operating standard, we are actually seeing that show up in guest satisfaction scores. And as we mentioned in our prepared remarks, take a region like the Southwest region beyond the DFW market, where we're seeing a consistent delivery of that 10-minute speed of service, and we're seeing that market or that whole region actually deliver a mid-single-digit spread in comps to the overall country. And that's because that is the region that has the longest tenure and are demonstrating that consistent delivery of speed and consistency for our guests. And so as more and more restaurants deliver on these new standards, I think we're going to see that gap close over time.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

Great. And then I wanted to ask a question on the net unit growth because you have a very strong pipeline. You've been accelerating for 2025. I was wondering if you can provide any context on the amount of cannibalization that you're seeing today and how that relates to the past. Obviously, the cash-on-cash returns have been very strong. I just want to understand also what it means from a same-store sales drag potentially going forward.

Alex Kaleida

CFO & Senior VP

Dan, this is Alex. I can jump in here. The cannibalization we've seen, as we've talked about over the years, has really been concentrated on restaurants, as higher-volume restaurants that really kind of max out capacity in the box itself from a store standpoint. We operate out of this very small footprint, 1,400 to 1,700 square foot location typically. So that hasn't changed too much. It's typically been about a point in the comp that we've seen. What's been a little different, I think, as it relates to development in the last -- in the most recent quarter, specifically has been around lapping some openings that we had in a single market, a brand-new market where there was one restaurant.

And last year, we saw some openings that the restaurants touched 6 figures in the first week of sales or in the first several weeks of sales. And so as we open more restaurants this year as part of our market playbooks to surround that restaurant, we're lapping a little bit of that honeymoon. So I'd say that part has come into play a little more recently. It is more of a near-term dynamic. The restaurants are settling in very well above, in fact, our system average on AUVs, but that's probably the most recent dynamic associated with development.

Operator

Our next question comes from Andrew Charles from TD Cowen.

Andrew Charles

TD Cowen, Research Division

I was hoping you can unpack the mid-single-digit outperformance from Smart Kitchens in the Southwest with the gap between company-operated same-store sales and franchise -- or I should say, system, excuse me, that widened to a 940 [indiscernible] outperformance in the Southwest is perhaps underrepresented just given the outsized Hispanic consumer penetration in this market? Or is it perhaps that we're seeing some other benefit to company-operated same-store sales in the third quarter?

Michael Skipworth

President, CEO & Director

Andrew, our comment as it relates to the overall Southwest region, I think it's important to appreciate that, that includes over 600 restaurants. And I think really demonstrates the progress we're making around operationalizing this new kitchen operating platform, this new operating standard for Wingstop as a brand that I just talked about. But I think if you look at the DFW market, specifically where the majority of our company-owned restaurants do operate, it's a really interesting business case, if you will.

Obviously, that market is benefiting from the longest tenure on the Wingstop Smart Kitchen. But in addition to that, when you take a look at the DFW market, it is our most mature market, our first market. Brand awareness for Wingstop is a lot closer to that national brand awareness level of more mature national brands. If we look at the demographics within DFW, it actually looks a little bit different than we do nationally. We over-index a little bit higher income. We're a little bit less ethnically diverse.

And quite frankly, it's a really good representation of that demand space we've been talking about and the opportunity we have. And so what you're seeing is the interplay of Wingstop Smart Kitchen, Wingstop's new operating standard, delivering on those guest expectations and then obviously leaning into that demand space that we're best positioned to win. So I think it's a really nice indication of the strategy we're executing and the opportunity that's in front of us.

Andrew Charles

TD Cowen, Research Division

That's helpful. And then my follow-up question is just, obviously, the industry is trying to figure out ways to better emphasize value. And obviously, Wingstop has been very reticent in pricing, only taking about 1% to 2% per year in recent years. But I guess as you think about how to better pulse value to help traffic in this more challenging time for the industry, what place does the 20 for 20 promotion that you successfully ran in the May and June time frame have as we look forward?

Michael Skipworth

President, CEO & Director

Andrew, I think Wingstop is in a pretty unique position. Unlike most other brands in the industry, we've experienced some pretty incredible industry-leading years of growth over the past 2 years, putting us in a spot where we don't really feel like we have to get overly promotional or lean into discounting or solve for the near term. We're really focused on what's central to our strategy, which is protecting those unit economics, which today remain as strong as they have ever been.

And you're seeing that show up in the pace of development that we're delivering, which 2025 is shaping up to be a record year of opening what we estimate to be between 475 and 485 units, a pretty remarkable number for the brand and for any brand out there, quite frankly. And so we're focused on that and then investing in these strategies that are going to position the brand for the long term and for this next phase of growth.

Operator

Our next question comes from Christine Cho from Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

So Michael, I think you mentioned earlier the importance of unlocking that under 30 minutes or fastest near new mechanism in 3PD and getting into kind of the guest consideration set. So I was wondering if you're tracking kind of the changes in the percentage of the stores that are now falling into this bucket along with the progress of the Smart Kitchen rollout and whether you're seeing any shifts in sales trends in this channel. Additionally, are you contemplating on any ways to better communicate that faster speed of service to your guests?

Michael Skipworth

President, CEO & Director

Christine, great question. We are relentlessly focused on most importantly and first, delivering on that 10-minute speed of service, but then a fast follow is ensuring that our restaurants are showing up in those categories on the DSP platforms. And what we're really learning is not only does it put Wingstop into the consideration set where we weren't previously considered or there before, but we're actually seeing and learning as we watch these consumers and we talk to our partners, the delivery providers that it actually drives repeat and drives behavior. And so as we look to 2026 and operationalize and complete the national rollout of Wingstop Smart Kitchen, this is going to be an area where we're definitely going to lean in and an area that we see an opportunity to drive growth.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Great. And also excited about the new Wingstop Is Here campaign. But you also have several very important messages to deliver to customers, including your value proposition, improved speed of service, all of that. So what are kind of the key messages that you will prioritize? And how do you plan to kind of allocate media spending to achieve these goals while kind of maximizing leverage on your NFL and NBA partnership?

Michael Skipworth

President, CEO & Director

Yes, Christine, that's what I love about Wingstop is here, is actually a campaign that can accomplish all of that. It's allowing us to showcase moments, moments that each and every person can find and relate with and showcase how Wingstop can play a role in their life and their dining occasions. In addition to that, we can showcase moments around speed. We can showcase occasions that hit on when the consumer is in a hurry, when they are in a rush.

And we can do it under this broader umbrella and at the same time, showcasing quality, showcasing abundance, some of those tenants that really separate Wingstop from other brands that are out there. And we're excited to have a 30-second spot really for the first time that story tells to that new consumer about Wingstop, who we are, how they can engage with our brand and how we deliver on quality and abundance. And so while there is definitely an opportunity to impact the occasions that our current guests consider us for, the bigger opportunity and the huge prize out there, and it really shows up in that demand space where we're only winning 2% today, when benchmarking suggests we should be winning 20% to be at our fair share.

The huge opportunity is really around all those guests who don't know of Wingstop or maybe Wingstop is just not in their consideration set. And so that's what we're going to be going after with this campaign as we operationalize Wingstop Smart Kitchen. And then just to think about in 2026, layering on something like loyalty in the second quarter to be able to add that to our digital flywheel. It gives us a ton of confidence in our ability to continue to scale AUVs towards our target of \$3 million over time.

Operator

The next question comes from Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. Just looking at the near-term comps. It looks like you're assuming down 5% or more in the fourth quarter. That would be similar to or actually a little bit of easing from the third quarter. But as we've talked about all year long, the compares are easing. I know in the fourth quarter, they're easing 1,100 basis points from the third quarter. Therefore, I guess, that 2-year stack still seems to be slowing materially.

I'm just wondering whether you're surprised the compares are not driving the inflection -- or said another way, it does seem like the business is slowing further from here. So just wondering whether or not the compares in and of itself are not enough or how you go about directly bringing back, like you said, you over-indexed to perhaps a little bit lower income or more minority consumers, how you go about more aggressively bringing them back to slow that decline? And then I had one follow-up.

Michael Skipworth

President, CEO & Director

Jeff, I appreciate the question. I think as we said earlier, we acknowledge that there's definitely some near-term choppiness. And while we have seen trends stabilize as we've entered the fourth quarter, obviously, we're not one, and I'm not sure who is to predict kind of the duration of this current environment and when it evolves. But what we're focused on, again, is not solving for the near term, but really focused on leaning into and ensuring that we operationalize this game-changing kitchen operating platform of Wingstop Smart Kitchen and ensure we're ready to really lean in and win our fair share as we look out into 2026 of that demand space and then doing loyalty right and launching it in a big way in 2026.

Then obviously supporting all that with this ad campaign, while we opened a lot of restaurants at the same time and continue to expand on that opportunity. And we're going to remain focused on protecting the unit economics because that's really what it's about here at Wingstop and what's central to our strategy. When you think about it, yes, we've opened a lot of restaurants this year. We're almost at 3,000 restaurants as a brand, but yet it's not even 1/3 of our potential. So the white space we have in front of us, the growth in front of us is what we're really focused on.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Understood. And then just following up on that. As you look back over the past few months, how much do you think of the deceleration with industry or consumer versus maybe anything that would be self-inflicted. I mean, obviously, this is hindsight, but what could have been done better to mitigate the choppiness that you could perhaps use as you think about potential risks of this type of choppiness in the future?

Michael Skipworth

President, CEO & Director

Yes, Jeff, I think that's a great question. And I think more than anything, it really just has to do about how we over-index to this consumer that's under the most pressure right now, more than anything else. But to the second part of your question, it really feeds into the strategy we're executing around winning our fair share of our core demand space. And as we look at who comprises this occasion that we're going after, and we look at the DFW, as I mentioned earlier, as a great example of that it is a little bit of an equal distribution as you cut the data, whether it's income level, ethnicity, ages.

And so it's about continuing to win our fair share of that demand space. And we think this new creative is going to be an unlock to position our brand to start to win that. And so as you fast forward and think about any other future cycles similar to this one, we would expect our business to be in a different position than it is today.

Operator

The next question comes from Andy Barish from Jefferies.

Andrew Barish

Jefferies LLC, Research Division

Just following up on that. It kind of reminds me of '22 when you had a negative comp and obviously, the ad budget was going up, chicken sandwich in the Uber were rolled out. Are you kind of thinking about this in a similar way? It's just maybe going to take a little bit longer until all 3 of the current sort of drivers you laid out layer on top of one another?

Michael Skipworth

President, CEO & Director

Yes, Andy, I think that's a great point, and I think it's a good analogy to kind of compare to. I would say maybe what's different is, and we'll acknowledge that a lot of our success during that time was focused on our core, and we won a lot of share with that core. And as we look forward, it's really about broadening the top of the funnel, bringing in more new guests, new guests that maybe look a little bit different than our core and diversifying the business a bit.

Operator

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

Sara Senatore*BofA Securities, Research Division*

I wanted to go back to the comment, I think Alex made about a honeymoon period for restaurants. I don't think we've heard you talk about that in the past. And I was just curious, I guess, a couple of things. One is, do you see that across different types of markets? And do you think it signals anything about where brand awareness is? I guess, when I think of a big awareness gap, which has been a long-term opportunity, typically, I would not associate that with a honeymoon.

Alex Kaleida*CFO & Senior VP*

Yes, Sarah, I can jump in here. I think it really is a little more unique to the last 12-month dynamic for 2024 because we've attacked these white space opportunities. We're executing market-level playbooks. And we couldn't have predicted the strength of some of these openings in these, what we call kind of flavor deserts in a small town in Kentucky or Georgia or other parts of the country where we had no Wingstop available. So I think it was a little bit unique to something in the last year. I don't think it's playing out the exact same way -- it's not playing out the exact same way this year on how the pace of restaurant openings are and what we're seeing. I think they're kind of complementing well among each other as we execute these playbooks.

Sara Senatore*BofA Securities, Research Division*

And then the awareness piece, I guess that was the second part. Do you think that awareness kind of has reached a critical mass? Or do you still see a lot of opportunity there?

Alex Kaleida*CFO & Senior VP*

Yes. We still have a more than 20% gap in awareness to those larger, more mature QSR brands. And Michael talked about the opportunity in consideration is even larger. So as we're delivering against these expectations or opportunity areas on speed and consistency, I think we think the combination is just going to further strengthen our AUVs on our path to that \$3 million target.

Operator

Our next question comes from Chris O'Cull from Stifel.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Michael, my question is about the new ad campaign. Have you conducted any testing to confirm how the message resonates with consumers, particularly new consumers? I would just like to understand what gives you confidence that it's going to be successful.

Michael Skipworth

President, CEO & Director

Yes, Chris, we are super encouraged by early feedback and results on the new campaign. We think it works hard for us and accomplishes really what we set out to accomplish, which is to showcase moments that really speak to a wide range of different consumers, different cohorts, but yet still showcase quality and abundance and tell a story. This is one of our first ads with a voice over. And so it's actually informing that new guest that doesn't know about Wingstop, a little bit about who we are. The fact that we are the #1 wing company in the U.S. and taking that bold claim and sharing that on national TV. And so early feedback, early testing, very positive, and we think it's working hard for us.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. And then my follow-up is you mentioned finalizing an agreement in India. Can you talk about the partner you selected, maybe the structure of the agreement for that market and why you believe this operator you've chosen is the right one for the market?

Michael Skipworth

President, CEO & Director

Yes, Chris, we're pretty excited about the opportunity in India, a market that we see over 1,000 Wingstop restaurants over time. And so obviously, a really big deal for our global growth story. And this partner is a proven operator, a multinational operator of brands that has a lot of experience in India. And so we'll have a lot more details to share as this comes together and as our plans finalize on exactly what our market entry will look like. But we're really excited to share that with you as we continue to progress towards that long-term opportunity of over 1,000 restaurants in India.

Operator

Our next question comes from Jeff Farmer from Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

Just wanted to drill down further on the lower income and Hispanic consumer cohorts. I know you guys don't share a lot, but anything that you can share as it relates to exposure to these cohorts even if it's just broad strokes?

Michael Skipworth

President, CEO & Director

Yes, Jeff, I would say broad strokes would maybe just be the overall comp trend you saw play out as you saw that dynamic broaden a little bit across the industry. But we're not overly focused or really overly thinking about that overall trend. And as I said earlier in our comments, as we look at the data we have and we look at the underlying health of our business, we're continuing to measure improvements in brand health metrics which is really encouraging for us to see and showcases that the overall underlying strength and health of the brand are strong. And again, this is a little bit of near-term choppiness. And again, our business clearly over-indexes to that consumer that's under the most pressure right now.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. And then unrelated follow-up. The development guidance has been pretty crazy. It's jumped 100 units, I think, almost 30% over the last 9 months. I can't remember ever seeing anything of this magnitude for as many restaurants as you guys have. So really, the question is, how did that happen? And I know you talked about 2026 development, but in terms of just really sort of overperforming on your initial development guidance, what drove that? And why theoretically wouldn't that outperformance continue in coming years?

Alex Kaleida

CFO & Senior VP

Jeff, it's a great point. It's really exciting to see how our unit growth played out for this year. And I think there's a couple of things that we've talked about in the past. One is given executing these market-level playbooks. And alongside of that, we're having conversations with our brand partners about scaling the infrastructure, building their teams or organizations to execute at an even greater number of openings than what they've had in the past. International is playing a bigger role. We've started -- we've talked about how we see that opportunity in front of us as we've opened as many as 5 new markets this year, and we have line of sight to 3 more in the horizon -- or 4 more on the horizon going into 2026.

So it's -- international is starting to play a bigger role and their pace of openings is moving a little faster than maybe what we saw at the front end of the year. And then the last part is we thought about the guidance at the start of the year was related to our Smart Kitchen rollout. We have not undertaken that size of a technology rollout in our footprint for this year, and we knew that was something brand partners going to -- we're going to need to allocate capital to. And frankly, they've done a tremendous job with executing both the Smart Kitchen rollout and building their infrastructure and organization. And so we felt the need to kind of allow that just continued growth and pace that we're heading into for 2026. But it's a great point. It's incredibly exciting about what we have in front of us. And that's why it's so central to us is maintaining those best-in-class returns for our brand partners, so we continue to see this growth opportunity from a development standpoint.

Operator

Our next question comes from Jim Salera from Stephens Inc.

James Salera

Stephens Inc., Research Division

I was hoping that you might help us deconstruct some of the frequency trends that you've talked about. You guys have highlighted between rewards and the Smart Kitchen uplift and some of the new marketing, those are all opportunities to drive better frequency. But maybe in kind of here and now, are you seeing any particular daypart or kind of specific consumer cohort that's seen a step down in frequency? And particularly maybe around some of your restaurants that are closer to the border, maybe there's just less cross-border trade. And so it's not even so much that a guest is choosing not to come to Wingstop, but just there is not that restaurant occasion available anymore because there's fewer people trading in that area. Just any color on that dynamic would be helpful.

Michael Skipworth

President, CEO & Director

Yes, Jim, it's a great question. And what I would say is we talked about a little bit of a change in the consumer trend as we progress through the third quarter. And I think where we really saw from a daypart perspective, maybe that show up a little bit in snack daypart. And with that could come a little bit of ticket management. But generally speaking, and I mentioned it earlier, our biggest daypart dinner, we actually saw growth during the third quarter, which I think really speaks to when you combine that with the strength in our brand health metrics, just speaks to the overall health -- underlying health of the brand.

James Salera

Stephens Inc., Research Division

Kind of keeping that in mind, are you able to disaggregate what we would think about as group occasion, which I would assume leans heavily dinner versus somebody going by themselves. Is that really where the frequency pressure is concentrated is in those occasions where the guest is buying food just for themselves versus kind of group occasion?

Alex Kaleida

CFO & Senior VP

Jim, this is Alex. What I'd point to in the last quarter was really around where we saw a little bit more of a difference from our targeted group occasion was on tenders. We did continue to see more individual occasions come through on tenders as they're trying -- that's that nice entry point for the brand coming in for the first time, that high-quality tender experience. And specifically from a cohort standpoint, one of our highest acquisitions last quarter was in that 18 to 25 age demographic, which also associates with a higher propensity for tender purchases.

Operator

Our next question comes from Dennis Geiger from UBS.

Dennis Geiger

UBS Investment Bank, Research Division

You touched on it some, but I wanted to ask a little bit more on Smart Kitchen, the franchisee feedback. And as it relates to sort of the rollout and if you'd say that the rollout so far across similar stores at various stages of the rollout process, if that's been largely consistent or if there's some variability there. If anything more there, obviously, the Southwest data is super helpful. But anything more just kind of on how that rollout has gone and sort of performance along the various stages, a couple of months in, 2 months in, 3 months in, et cetera, if you could get that granular.

Michael Skipworth

President, CEO & Director

Yes, Dennis, it's a great question. And I would say, just generally speaking, we're really encouraged by where we are today in over 2,000 restaurants with the Wingstop Smart Kitchen operating platform. It was a big step in our brand partner conference last month for us to unveil and be super clear around these new Wingstop operating standards. And obviously, as we transition into 2026 and get the entire platform launched across the system nationally, it will be really about driving those standards and holding our brand partners accountable because of the upside and opportunity we see associated with Wingstop Smart Kitchen.

But we mentioned it in our prepared remarks. We are seeing times -- speed of service times experience a pretty significant reduction call it, in that 6- to 8-week time period in. And then as you think about our frequency, you're starting to see a little bit of traction as it relates to the consumer and how they engage with our brand showing up in that 3- to 6-month window. And this is all without any sort of marketing support, all happening organically. And so as you sit here and look at these early results we're seeing, the opportunity that's in front of us. And then again, when we look out into 2026 and think about this new ad campaign opening the top of the funnel and then our new Wingstop operating standards, delivering on those guest expectations in a consistent way, we get pretty excited about what's in front of us.

Operator

Due to time constraints, this concludes our question-and-answer session. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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