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Wingstop Inc. (WING) Q4 2024 Earnings Call Transcript

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EPS of \$0.95 **beats by \$0.08** | Revenue of \$161.82M (27.36% Y/Y) **misses by \$2.76M**Wingstop Inc. (NASDAQ:[WING](#)) Q4 2024 Earnings Conference Call February 19, 2025 10:00 AM ET

Corporate Participants

Kristen Thomas - Senior Manager of Investor Relations

Michael Skipworth - President and Chief Executive Officer

Alex Kaleida - Senior Vice President and Chief Financial Officer

Conference Call Participants

David Tarantino - Baird
Andrew Charles - TD Cowen
Jeffrey Bernstein - Barclays
Jim Salera - Stephens, Inc.
Sara Senatore - Bank of America
Brian Harbour - Morgan Stanley
Chris O'Cull - Stifel
Danilo Gargiulo - Bernstein
Jeff Farmer - Gordon Haskett
Christine Cho - Goldman Sachs
Gregory Francfort - Guggenheim

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Wingstop Fiscal Fourth Quarter and Full Year 2024 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions].

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

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

Kristen Thomas

Thank you, and welcome to the fiscal fourth quarter and full year 2024 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 Skipworth

Thank you, Kristen, and good morning. We appreciate everyone joining our call.

Before discussing our results, I want to take a moment to acknowledge those affected by the devastation from the wildfires in Southern California.

California has always been a special place for Wingstop, where we have several hundred Wingstop restaurants and millions of fans. Our thoughts and prayers go out to those impacted. Tragic events like this can have a profound impact on entire communities.

To help support those in need and in partnership with the American Red Cross, during the month of February, we will match contributions made through our Roundup program, dollar for dollar, up to \$500,000. We also extend our deepest gratitude to the first responders who have worked heroically and tirelessly to protect our communities. Now, on to our results.

2024 was another record year, surpassing our industry-leading year in 2023 that showcases the category of one in which we operate. We achieved record top and bottom-line results, extending our unprecedented streak of 21 consecutive years of same-store sales growth. For fiscal 2024, domestic same-store sales grew by 19.9%, primarily driven by transactions, and that translates to a two-year stacked comp of 38%. We opened a record 349 net new restaurants, delivering a 15.8% unit growth, and we grew system-wide sales by 36.8% to \$4.8 billion. Adjusted EBITDA increased 44.8% to \$212 million.

Our fourth quarter results were strong. We opened 105 net new restaurants in the quarter and delivered 10.1% same-store sales growth, a comp that continues to be driven primarily by transaction growth. Digital sales mix increased to 70%. Adjusted EBITDA increased 44% to \$56.3 million. These results are a demonstration of the success and staying power of our strategies, which continue to fuel demand for growth in all facets of our business.

In 2024, we saw double-digit transaction growth and an increase in frequency with our digital guests, which is the first time this has happened in my 10 years here at Wingstop. I believe the underlying health of the Wingstop business is as strong as it's ever been, yet we feel like we are just getting started.

I want to acknowledge and thank our passionate team members in the restaurant and our global support center, our brand partners, and our supplier partners. Without them, these results would not be possible. Within the industry-leading results in 2024, we surpassed our previous target of \$2 million average unit volumes, a target set just over two years ago.

As we have scaled, we took an opportunity in 2024 to reevaluate the global opportunity for Wingstop. Based on this effort, we established new long-term targets for both AUVs and global units. We believe we can grow AUVs to \$3 million and scale our global unit count to over 10,000 restaurants.

As I reflect back over the last couple years, Wingstop has transformed into a brand with scale, creating greater capacity to invest behind our strategies. While the consumer is facing tough choices when it comes to restaurant occasions, they also are recognizing the quality and value proposition Wingstop delivers, and yet we still believe we're the largest brand no one has heard of.

With system-wide sales of over \$4.8 billion, we now have an ad fund budget that has greater scale, enabling us to show up in a meaningful way to bring awareness to that indulgent Wingstop occasion. We are building brand awareness at a steady pace, increasing by a low single-digit percentage in the past couple years, but our gap remains at over 20% to more mature brands. Our opportunity is significant to bring Wingstop into more households and attract new lifelong fans into the brand. Consistent with previous years, in 2025 we are laser-focused on executing our multi-year sales strategies to move us closer to our \$3 million AUV target.

Our strategies consist of scaling brand awareness, driving menu innovation, expanding our delivery channels, leveraging data-driven marketing, and continuing our digital transformation. It's clear to see the impact our strategies are having on our business. From a brand health standpoint, we are seeing improvements in quality, value, consideration, and purchase intent scores, finishing 2024 at record levels.

Over the past two years, our brand partners and restaurant team members have been focused on operating with excellence, and our internal scores, along with our transaction growth, showcase the impact we are having. There remains a significant runway ahead of Wingstop, and we believe we are entering this next phase of growth. We've spent a fair amount of time extracting insights from our digital guests, learning from our consumers as well as those that are more broadly frequent restaurants. What we're learning gives us confidence in the strategies we're executing, and we continue to have significant opportunities to gain our fair share in the restaurant industry.

We will continue to lean into our always-on marketing strategy and are excited to see the effectiveness of our media placements. We look forward to further advancing our relationship as the official chicken and chicken wing partner of the NBA. A great example is the multiple activations we executed at the NBA All-Star Game this past weekend, supported by marquee players in the league. You will also see us expand our presence in both familiar and new spaces, including the NFL, WWE, and the UFC. This sizable opportunity and brand awareness, combined with the strategies we are executing, give us confidence in our ability to grow transactions on top of two record years of sales growth, as we have demonstrated in our 21 consecutive years of same-store sales growth.

Technology has always been at the forefront for us at Wingstop, and 2024 was a transformational year for our digital business. We launched our proprietary tech stack, MyWingstop, in 2024, which we believe will further advance our best-in-class digital platform. Our digital database has surpassed 50 million customers, nearly 30% growth versus the prior year, which is truly remarkable.

The most pronounced impacts we have seen early into our launch center around new guest acquisition with a record pace of registrations, increased frequency, and improved ROIs on our hyper-personalization strategies. Guests are beginning to experience a new level of hyper-personalization, enabled by the data gathered from our platform, providing them with relevant, personalized, and optimized content.

Over the past two quarters, we have seen an increase in the number of guests opting in for notifications and registering with our platform. This information will help us to fine-tune our robust profiles to engage with our guests in a way that personally resonates with them, creating a more meaningful and engaging experience, which we feel is a competitive advantage for Wingstop.

And while many of our investments in the past have been focused on more of our consumer-facing digital platform, we also have been innovating around technology that can optimize the back of the house in the restaurant. A little over two years ago, we started working on a solution that we believe will unlock unmet demand.

The variability in demand can be a challenge for restaurants to operate using our manual processes today and potentially impact or create an inconsistent guest experience. It could lead to longer quote times that can risk curbing demand. And as we consider future day-part opportunities, in an example like lunch, shortening quote times could be another opportunity to capitalize on and expand the consideration set for consumers.

While our brand experienced a step-function growth in AUVs, benefiting from almost 40% same-store sales growth that was primarily driven by transactions over the past two years, we have been focused on positioning the brand for the next phase of growth and invested in a technology solution that will allow us to fundamentally change our back-of-house operations. A solution that further improves overall quality our brand is built to deliver. That cook-to-order hand-sauced and tossed chicken in one of our 12 bold distinctive flavors.

We have developed a proprietary AI-enabled kitchen operating platform that will allow us to have a meaningful reduction in our quote times and deliver on guests' expectations around speed of service on a consistent basis. In doing this, we believe we will unlock pent-up demand and become more of the consideration set while also improving team member productivity in the restaurant.

Ultimately, we discovered an opportunity to monetize how we operate our kitchens. We believe this new kitchen technology system will be another powerful unlock for our brand and enable an increase in frequency over time. And I want to be clear, this is not about a throughput issue. Over 10% of our system is already above our average unit volume target of \$3 million and we have plenty of experience with restaurants that are operating volumes north of \$4 million.

This is about capturing our fair share and ensuring Wingstop continues to be a part of the consideration set for guests. This new platform supports our existing strategies we are executing and it just further strengthens our confidence in scaling AUVs to our new target of \$3 million. We unveiled this solution at our brand partner convention last quarter, and they too see the unlock this investment can be for their restaurants.

Our new kitchen platform, which is a modest upfront investment, still allows us to maintain our industry-leading returns of 70% plus our brand partners have grown accustomed to. We are excited to begin the system-wide rollout, a true game changer for Wingstop, and we'll provide more updates in the coming year on this initiative. Essential to a successful franchise system is the unit economics and we believe we have the best in the industry.

With our supply chain strategy, 2024 created a level of predictability into food costs we haven't seen in the past. Coupling food cost predictability with our average unit volumes of more than \$2.1 million, our brand partners are seeing cash flows at record levels. And they in turn are investing behind their infrastructure and operations to scale their businesses alongside this growth.

Our brand partners' demand for growth is demonstrated in the record 349 net new restaurants opened in 2024, as well as what we anticipate for 2025, which is a unit growth rate of 14% to 15%. We continue to see roughly 95% of our development come from existing brand partners reinvesting back into Wingstop. This demand for growth is translating into a record development pipeline, with nearly 2,000 restaurant commitments under development agreements at the end of 2024, the strongest pipeline ever for Wingstop.

The demand we're seeing for more Wingstop's transcends into our international business. We ended the year with 359 international locations and successfully added our 11th market in the fourth quarter. The success in our international expansion strategy was showcased by the level of interest in our U.K. business, roughly 60 restaurants that was acquired last month for over \$500 million, and showcases the value creation Wingstop can provide.

Although Wingstop is still early in its international expansion, it is encouraging to see our brand resonate so well with consumers across the globe. Consistent with what we see globally, our brand attracts a Gen Z millennial consumer that sparks to that quality and value we can deliver. We are excited to see 2025 be another accelerator in our journey to scale Wingstop to a top 10 global restaurant brand.

Lastly, I'd like to close by sharing exciting news of a fundraising program for our new partnership with St. Jude Children's Research Hospital. During the fourth quarter, we created an opportunity for those who share in our success to give back, and we did so in a big way. Our team, along with our brand partners, raised over \$2 million that will directly support St. Jude's efforts to advance research and treatment for childhood cancer and other life-threatening diseases. The impact St. Jude has on families is incredible, and we are grateful for the opportunities to support this life-saving mission.

I'm also happy to share that our charities organization in 2024 delivered over \$3.7 million in community grants and sponsorships to local and national organizations. We believe, along with our brand partners, that it is our obligation to give back, and we'll continue to look for these opportunities to partner with world-class organizations such as St. Jude. 2024 was an exceptional year for Wingstop, a step-change year, and one we believe positions us well for this next phase of growth. The underlying momentum and health of our business is strong. As we move into 2025, we are focused on the disciplined execution of our strategies, which we believe will bring us closer to realizing our vision of becoming a top-10 global restaurant brand.

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

Alex Kaleida

Thank you, and good morning.

As you heard from Michael, we delivered another year of industry-leading results. In the fourth quarter, system-wide sales increased 27.6% versus the prior year to \$1.2 billion. Full-year system-wide sales for Wingstop are now approaching \$5 billion. Royalty revenues, franchise fees, and other revenue increased \$18 million, driven by 348 net new franchise openings since the prior year comparable period, a record pace of openings for Wingstop, and showcasing the demand among our brand partners.

In addition, same-store sales grew by 10.1%, which was primarily driven by transactions. On a two-year basis in the fourth quarter, our stacked same-store sales growth was 31.3%, a comp driven by transaction growth. Company-owned restaurant sales increased by \$3.8 million in Q4, due to company-owned restaurant sales opened and acquired, as well as a 3.8% increase in same-store sales, primarily driven by transaction growth. In the fourth quarter, we completed the sale of seven company-owned restaurants in the New York City market to an existing brand partner.

In conjunction with the transaction, our brand partner signed a development agreement for 20 restaurants in the surrounding Manhattan market. In connection with the sale of the restaurants, the company recorded a \$1 million pre-tax gain. For modeling purposes, following the disposition of our New York restaurants, acquisitions in 2024, and new restaurant openings in 2024, we anticipate company-owned restaurant sales to be in the range of \$124 million to \$126 million.

Overall cost of sales as a percentage of company-owned restaurant sales increased by 250 basis points in Q4, compared to the prior year. This was primarily driven by food and packaging costs, as we lapped the atypical deflationary environment of bone-in chicken costs in the prior year. For the first time in our brand's history, at the end of 2023, we were able to communicate expectations for food and packaging costs and had visibility into a mid-30% target range for the year.

Our brand partners immediately saw the benefits starting in Q1 when bone-in chicken costs started to rise and continued throughout the year at elevated levels. In fact, brand partners ended the year with food costs just below the mid-30% target, where historically food costs would likely have been 500 to 600 basis points higher given the pricing movement on the spot market for classic wings. Consistent with the prior year, we anticipate food and packaging costs to be in the mid-30% range for 2025 and have further visibility into 2026.

Additionally, we anticipate our cost of sales for company-owned restaurants to be between 75% and 76%.

SG&A increased by \$3.2 million versus the prior year comparable period to a total of \$31.2 million in the quarter, primarily driven by investments in headcount-related expenses to support the growth of our business. SG&A as a percentage of system-wide sales was 2.5% in 2024, which continues to show leverage as we scale toward our vision of becoming a top 10 global restaurant brand.

Our long-term expectations for SG&A as a percentage of system-wide sales is in the 2% to 2.5% range. And based on our outlook on SG&A for 2025, we anticipate operating in a similar percentage to 2024, while making investments that support our long-term growth aspirations.

Adjusted EBITDA, a non-GAAP measure, was \$56.3 million for the quarter, an increase of 44.2% versus the prior year. Since 2022, we have doubled our adjusted EBITDA and our full-year 2024 EBITDA was \$212 million, highlighting the strength of our highly franchised asset-light model. In addition, we delivered earnings per diluted share of \$0.92 for the quarter, a 44% increase versus the prior year. In December, we completed a securitized financing transaction, which included the issuance of a new series of \$500 million securitized notes.

Proceeds from the transaction were used to pay related transaction fees and expenses, strengthen the company's liquidity position, and for general corporate purposes, including the repurchase of shares of the company's common stock. As a result of this transaction, the additional interest expense associated with the securitization we completed in December reduced Q4 EPS by approximately \$0.05 per share. Maximizing shareholder returns remains a key tenet of our strategies.

This June will mark our 10th anniversary since becoming a public company. During that time, we have returned nearly \$1 billion of capital to shareholders and delivered a total shareholder return of nearly 2,000%. And following the close of our securitization transaction in the fourth quarter, our board of directors authorized an additional \$500 million for our share repurchase program.

To further demonstrate our commitment to the program, the company entered into an accelerated share repurchase agreement to repurchase \$250 million of our common stock that is anticipated to conclude by the end of the first quarter. Upon execution of the ASR agreement, Wingstop received and retired 551,325 shares of our common stock, representing an estimated 75% of the total shares expected to be delivered under the ASR agreement.

As of December 28, 2024, \$311.1 million remained available under the share repurchase program.

In addition to our share repurchase program, we remain committed to returning capital to shareholders through our regular quarterly dividend. On February 18, 2025, our board of directors authorized and declared a quarterly dividend of \$0.27 per share of common stock, resulting in a total dividend of approximately \$7.7 million. This dividend will be paid on March 28, 2025, to stockholders of record as of March 7, 2025.

Now on to our 2025 outlook. As you heard from Michael, we are confident in our strategies that have us on our path to our 22nd consecutive year of same-store sales growth and are providing guidance of a low-to-mid single-digit same-store sales growth for the year. Our outlook for global unit growth rate is 14% to 15%, which we believe is industry-leading, an example of how we are continuing to scale our footprint globally.

SG&A guidance is estimated to be approximately \$140 million, which includes non-recurring system implementation costs of \$4.5 million that will be an add-back to adjusted EBITDA and approximately \$26 million of stock-based compensation expense. Additionally, interest expense is anticipated to be approximately \$46 million for 2025. By utilizing these inputs, adjusted EBITDA growth rate translates to approximately 15% in 2025.

Lastly, for modeling purposes, at the start of the first quarter of 2025, the advertising fund contribution rate will increase from 5.3% to 5.5%. As a reminder, this is a net neutral impact to the P&L, as this investment will be funding additional operating expenses associated with our MyWingstop platform. 2024 was an incredible year for Wingstop, and our results would not have been possible without the continued dedication of our global support team members, restaurant team members, brand partners, and supplier partners. I want to thank them for their continued commitment.

While we are proud of the progress we have made against our strategies over the past year, we enter 2025 with greater visibility into our path to achieving targets of \$3 million AUVs and 10,000-plus global units.

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

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions]. Our first question today comes from David Tarantino with Baird. Please go ahead.

David Tarantino

My question is on the comps outlook, low to mid-single digits for 2025. I was just wondering maybe if you could comment on what the right framework to use is longer term. Is low- to mid-single digits now your expectation as you think about your long-term targets, or is 2025, maybe an unusual year given what you're cycling? And I do have a follow-up.

Michael Skipworth

Hey, David. Good morning. This is Michael. Thank you for the question. I think as it relates to the outlook for 2025 and maybe more broadly as we look at our three- to five-year target that we've had previously of mid-single digits, that's intended obviously to guide expectations and kind of what to model on a long-term basis. And it's really meant to be an average.

And as you can see in the prior few years since we issued that three- to five-year outlook, we have significantly outperformed against that target. But we would use that as a basis to kind of average out over the long term.

David Tarantino

Great. And the follow-up is, how you're thinking about this year playing out, whether you want to talk about first half or second half, just kind of, how do you see the comp trajectory, as you think about the quarters in the year? And then if you could comment on perhaps what you're thinking for Q1 specifically, that would be great. Thanks.

Michael Skipworth

Thanks, David. We definitely expect a few questions this morning as it relates to comp. So maybe I'll just hit that head on in a more broader response. But, I think if you take a look at the restaurant industry over the past two years across the entire industry, it's actually experienced declining traffic. And if you look at Wingstop, we've actually gained share in the restaurant industry in a meaningful way. And that's against an industry backdrop that was not growing transactions, where Wingstop in 2024 delivered a 19.9% comp, and that was on top of a comp the year before north of 18%. And both of those being driven primarily by transactions.

And what I would really attribute that to are really two things. One is just the effectiveness of our proven strategies that we're executing against that we believe provide multi-year impacts. But then we also acknowledge the fact that the industry backdrop that we were operating in, a lot of brands took too much price and the consumer group frustrated with that. And that put us in a position to win an outside share in the marketplace and something we took advantage of and we're excited about and view that as almost a step change in this new base level of revenue that we're able to build off of and grow from there.

But as we look at the business today or even into Q4, that backdrop has definitely evolved. QSR is promoting value heavily as a way to reverse their transaction trends. But we remain confident that the consumer is going to continue to be selective and prioritize quality and value, which are both tenets of the Wingstop brand. But we also want everybody to really understand that we are managing the business for the long term.

And we've made strategic investments along the way that we believe position the brand in a spot to be able to sustain long-term growth as we scale AUVs from \$2.1 million today to our target of \$3 million. And we've made investments along the way, whether it's MyWingstop or even as we referenced in our prepared remarks, the innovation around a new kitchen operating platform, I think really showcase that we are setting this business up for the long term. And we're running it in a way that actually gives us confidence in being able to continue to deliver on growth year in and year out.

And I really think it hits on and I think an important point is just the underlying strength of our business. While we might not be delivering the comps that are north of 20% again, the overall fundamentals of our business are really strong. If you look at our digital business, it's north of 70% today. And that's allowed us to grow a digital database from what just about a year ago was about 40 million users and now it's north of 50 million users. And that's giving us information and data that we're able to drive our business.

And then you look at the AUV itself, at \$2.1 million on average, the progress we've made against our supply chain strategy, the cash flows for our brand partners are as strong as they've ever been. And you're seeing that show up in development with a 349 net new unit number for 2024. It's something we're really excited about. And one thing that I think is really important to understand the strength of our model, if you look at the restaurants that opened in 2024 and you annualize their sales, we generated north of a half a billion dollars in system sales.

And as you can see, based on our outlook for 2025, we expect to do that again. And so the strength of our model is really healthy and really strong, and we see a lot of runway and potential in our strategies that we're executing against.

Alex Kaleida

And David, good morning. This is Alex. I can jump in a bit on the pace of the comp. Something we did contemplate in our guidance of low to mid-digit same-source sales is really a function, to your point, on the lap. The first quarter is an example. We have two consecutive years in the first quarter where we're lapping a 20% comp primarily driven by transaction growth. So we do believe that the pacing will kind of more follow and be a function of the lap.

Q1 specifically I will call out, and I think you've heard this from other peers of ours out there, is we did see a little bit of noise related to the unseasonal weather in the southeast and the fires in California. But that's the only one-off example in the first quarter. But outside of that, it's more about what we'll be lapping.

Operator

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

Andrew Charles

Great. Thanks. Alex, let me just follow up that last question. If you think about the laps and the way you're instructing kind of a quarterly flow, if you will, through 2025. Last quarter, for instance, you guys talked about holding the three-year trend from 3Q into 4Q. Is there a similar metric or stack you can point us through to help us guide how the quarters will shape up through 2025?

Alex Kaleida

Yes. Unfortunately, Andrew, I wouldn't say it's as linear as what we had play out last year, just given the level of transaction growth and some of what we were lapping. So I would think about it more back to my comments on the pacing of the comp and how we thought about or what we contemplated in the low- to mid-single-digit same-source sale guide.

Andrew Charles

Okay. And then I wanted to follow up just on the CRM efforts. You talked about how these are starting with email database with 50 million users. Can you remind us how many people were added in fourth quarter into that base? I think you said it was a record number. And just love the early learnings that you've had from CRM, just given how many people you have in the database and just given 70% of your sales are digital, how robust of a data set you're working with following the MyWingstop tech platform implementation.

Michael Skipworth

Hey, Andrew. Yes, we're excited. I mean, we're six months in, roughly, with MyWingstop, and our ability to really connect that database that we've built that we mentioned is over 50 million users strong and really use that to lean in and connect that with the consumer digital experience and lean into hyper-personalization.

But some of the early indicators that we've seen with this multi-year strategy we have with MyWingstop is our highest digital guest growth of nearly 50% year-over-year. We saw an increase in frequency. We actually are seeing an average check increase. And we're really excited to see the fact that we're actually seeing an increase in digital guest satisfaction of about 6% year-over-year.

And then we saw over 20% growth in the number of guests among our heavy users. And what we really like to see is we're seeing both new move up the frequency curve and as well as growth within our heavy. And so both ends of the frequency curve, we're seeing really nice growth by leveraging MyWingstop and this hyper-personalization. And so as we think about the business and continuing to drive growth, we view this as something that we're really excited about to continue to drive the business over the long-term.

Operator

The next question is from Jeffrey Bernstein with Barclays. Please go ahead.

Jeffrey Bernstein

Great. Thank you very much. My first question, Michael, just following up on you mentioned QSRP years in value. I'm just wondering how do you measure your own value scores and how do you think you best communicate that value, especially in an environment where all of QSR is pretty much talking of a \$5 meal or a value menu? Do you think consumers know you have, for example, a sandwich meal for one or a family bundle, both very attractive on a per-person basis? Just trying to get a sense for how you think about value and where you score and how best to communicate that. And then I have one follow-up.

Michael Skipworth

Hey, Jeff. Good morning. Yes, I think it's really important to note that value is more than just price point. It's more about value for money. And when you compare that or pair that with quality and that indulgent Wingstop occasion, we've actually measured improvements in those scores, and I think we mentioned it in our prepared remarks, that in 2024 we exited the year at record highs in our brand health metrics. And so we're not necessarily competing against that \$5 value meal, but we know that when the guest is prioritizing value and quality, Wingstop is well positioned to win our fair share, which I think we showcased in 2024.

Jeffrey Bernstein

Understood. And then just the follow-up is on the unit growth for 2025. You're talking about 14% to 15% growth. That's clearly well above the 10%-plus long-term algo that we've been thinking about for the past decade. It's actually more similar to the 15%-plus you just did in 2024. So just wondering, is mid-team growth a more reasonable assumption for the next few years? Seemingly you have a much stronger pipeline that you mentioned, I think it's at 2,000 or so units. And how should we think about U.S. versus international openings within that target for 2025? Thank you.

Michael Skipworth

Yes, Jeff, we're really excited and encouraged by the strength of our development pipeline. And obviously that's what gives us confidence to be able to guide to such a strong number for 2025, something we're excited about. We're not at a point really necessarily where we're going to guide beyond 2025, but what I will tell you is our pipeline is as strong as it's ever been.

And if you just go back two years ago, that pipeline was roughly about 1,000 restaurant commitments. As we mentioned on the call, it's close to 2,000 restaurant commitments as we enter 2025. And that reflects opening around 600 restaurants in that two-year period.

And so you can see, and it's really showing up in the pipeline, the level of excitement our brand partners have with opening more Wingstops. And it just is a testament to the strength of the unit economics.

Operator

The next question is from Jim Salera with Stephens, Inc. Please go ahead.

Jim Salera

Michael, I wanted to circle back to something you had said about the value environment and having this kind of combination experiential but still at a reasonable price. If we think about new customer acquisition, which has been a big source of growth for you guys, did the value-focused messaging and advertisement in QSR impact your new customer acquisition? And maybe just some thoughts on kind of your marketing messaging in 2025 and how you continue to attract new customers when the industry as a whole is very kind of price-focused at the moment.

Michael Skipworth

Hey, good morning, and thanks for the question. No, I think, as we mentioned on the call, we saw a record level of new guest acquisition, and they are that heavy QSR user, and so we're pretty excited about what we saw. And part of what we're seeing in that leveraging MyWingstop is we're seeing some of the highest retention rates that we've ever seen, and we're encouraged by that.

And I think it showcases that when new guests do come into Wingstop, whether it's via the chicken sandwich or our core commodity, our core product of the bone-in wing, we're able to retain them and bring them back in. And we've talked about it throughout 2024. These new guests that are coming in, we're seeing them move up the frequency curve a little bit faster than our traditional guests, which we're encouraged by.

So I think we're able to deliver on that value and quality that the consumer is looking for. And we mentioned it, I think, earlier, but the consumers, they are selective in how they are spending their dining-out dollars, and so I think when they are making more choices and being a little bit more selective, Wingstop is well-positioned to win our fair share.

Jim Salera

Great. And maybe as a quick follow-up, how can we think about pricing as a factor in the 2025 same-source sales guide, and maybe as a part two to that? Have you guys ever given out what your average ticket is, just as a way to kind of compare across other QSR occasions?

Alex Kaleida

Yes, Jim, this is Alex. I can jump in. Our average ticket tends to be in that low-to-mid \$20 range. We tend to be a larger, more of a group occasion, party size of two or more, so not quite comparable with maybe those individual eater occasions you may see more frequently of fast food.

Regarding pricing, we do anticipate, and we've talked about this in the past, just having a historical disciplined cadence of about 1% to 2% pricing in two different windows. This year, I'd expect this maybe to trend towards the lower end, just given some of the macro uncertainty the consumer is facing, particularly in a market like California where they faced a significant amount of inflation, but not dissimilar to other years in our approach.

We're going to listen to the consumer, monitor the health of the consumer, and inform our pricing strategy based on what we've learned there.

Operator

The next question is from Sarah Senatore with Bank of America. Please go ahead.

Sara Senatore

I guess a question, maybe two kind of follow-ups.

One is, when you talked about, like, unit growth, is there any sense you have that, accelerating unit growth has played any role in potentially slightly in moderating same-store sales? I mean, I wouldn't think so. You still have a long runway.

But there tends to sometimes be an inverse correlation between those two things, and I just wanted to get your thoughts on that, aside from, obviously, tough comparison and everything else that you covered. So just that notion of unit growth versus comp and that balance, especially in the context of what franchisees want to see. And then I'll have another quick question.

Michael Skipworth

Hey, good morning, Sarah. Thank you. No, I think you nailed it.

We're not really seeing any impact. And if you look at our domestic business, which is north of 2,000 restaurants today, but yet we believe our total opportunity is more than 6,000. So there's a lot of white space in front of us, and so we don't really see development playing a role in the overall comp.

But what we're really excited about is we talked about our 2023 vintage, which came out of the gates in year one at about 1.6 million, and the 2024 vintage is actually outperforming that somewhere around, on average, about 1.7 million to 1.8 million. And so we're seeing continued productivity in these new restaurants, which is really encouraging to see, and obviously our brand partners are really excited about that as well.

Sara Senatore

Oh, got it. Thank you. That's a very helpful color.

And then, Alex, just quickly on the share repurchase, I know in the past you've done special dividends as well. I guess what was the thought in terms of deciding how you want to return cash to shareholders, just in the context of a higher interest rate environment?

Alex Kaleida

Yes, thanks, Sara. And the way we have approached this conversation and the support from our board is to think about the long-term opportunity to maximize shareholder returns through our return of capital strategy. And I think last quarter you saw us be opportunistic with a new tranche of debt that was issued, \$500 million, and sought approval for a new \$500 million or additional \$500 million share repurchase program.

And so as we think about the deployment of that capital, and we entered into a \$215 million accelerated share repurchase program, we're thinking about the long-term opportunity and value creation our return of capital strategy can provide for shareholders. And I think you'll see us continue to focus on that or have that mindset along with the board.

Sara Senatore

So the idea is just that the stock value is compelling, that that was a better use than a special dividend. Thank you.

Operator

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

Brian Harbour

Michael, just the kitchen operating system you mentioned, is the main change there to sort of add some predictive capacity and thereby lower service times? Is there anything else that we should think about there? And how quickly would you expect that to deploy?

Michael Skipworth

Hey, Brian, good morning. Yes, we are really excited about, as well as our brand partners are excited about, this new kitchen operating platform. And we actually believe this is going to fundamentally change our kitchen operations.

And while doing this, we actually think we're going to be able to further enhance the quality that Wingstop is known for. This is something that was co-developed and was built specifically for Wingstop. This does leverage AI technology fully integrated into the platform.

And it isn't just digitization of a kitchen ticket and order workflow, but it's really leveraging visual cues and gamification to engage the team member. And we see this as a really exciting opportunity to speed up the competency and role for new team members. It also provides role clarity. And ultimately, we think it's going to increase the productivity of our team members.

But this solution also includes consumer-facing order-ready screens that will allow us to manage guest expectations around their order and their order status. But we think this platform is actually something, Brian, that's going to be foundational as we think about opportunities to connect what's happening inside our kitchen with our investments we've made in the consumer-facing digital business of our platform of MyWingstop.

And so this is pretty exciting for us, and we're going to be able to not only increase speed, but be more consistent. And we believe it's going to make Wingstop more of the consideration set. It's going to unlock some unmet demand. And we believe over time it's going to help us continue to increase frequency, which we know will be a big driver as we continue to scale AUVs towards 3 million.

Brian Harbour

Okay. Got it. Thanks. When you think about this year, you've had several sales strategies that have worked very well over the last couple of years. What do you think will change the most this year, whether it's sort of really leaning into personalized marketing harder? Is it more about ad placement?

Do you expect to perhaps do more advertising on delivery to drive that business? Which of those – or maybe it's the innovation side, right? Which of those do you think could be most impactful this year as you kind of come off of two very good years?

Michael Skipworth

Hey, Brian, I think we've answered -- or been asked the inverse of that question probably a year ago in what's driving the comp the most. And I really think it is the synergistic nature of these strategies we're executing against. And as we mentioned in the prepared remarks, 2024 marked our 21st consecutive year of same-store sales growth.

And there's been some years where those sales were really high, and then there were other years where the sales growth was lower. But across the board, there was healthy growth across each one of those 21 years. And so I don't think 2025 is going to be any different.

And it's these strategies working together that each have a lot of runway associated with them. I think we actually called out in our prepared remarks the amount of runway we just have in brand awareness. We referenced it's over a 20-point gap to other national brands.

And if you reflect back over the last year, we moved it low to mid-single digits. And so that opportunity is huge. And that's just an example of these strategies and the multi-year impact they have.

And so I don't think I would call out any one of them specifically, but it's about executing against each one of them with discipline.

Operator

The next question is from Chris O'Cull with Stiefel. Please go ahead.

Chris O'Cull

Alex, I had a quick follow-up on the comp cadence. Do you anticipate any quarter will fall outside of the guided range for the full year? I'm just trying to help maybe level set everyone's expectations.

Alex Kaleida

Hey, Chris. You know, we're not going to give quarterly guidance, but I think we're confident in our ability to deliver our outlook of low to mid-single-digit same-store sales.

Chris O'Cull

Okay. Fair enough. And then I had a question on marketing. I know the company has been marketing to relatively new audiences, like on UFC and WWE programming. How much overlap or crossover is there between those audiences and more traditional sports programming like the NBA and NFL? Just kind of understand where you've had a significant presence over the years. I'm just curious what kind of incrementality you might get from these new audiences.

Michael Skipworth

Yes, these new audiences, Chris, there is some overlap, but I wouldn't say there's a lot. But what I would tell you is their core audience looks a lot like Wingstop's core guests. And so that's what we really like about some of these new properties we're growing into. And so we think there's a lot of opportunity as we look, as we talk about continuing to grow brand awareness at some of these new areas like UFC that we're excited about.

Operator

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

Danilo Gargiulo

Michael, I actually want to follow up on that comment on awareness, and specifically, as you're reflecting on Wingstop today, how much more sales upside are you expecting from awareness increasing versus pushing up maybe the frequency given your Wingstop platform and the hyper-personalization? And then if you reflect on kind of the marketing ROI that you've been able to generate maybe over the past couple of quarters, are you happy with that, and what are your thoughts on how to accelerate the awareness gap closure?

Michael Skipworth

Hey, Danilo, thank you for the question. We're excited about the opportunity with brand awareness. Obviously, when we talk about moving frequency, we're talking about decimal points at this point in time, but we see that as a big opportunity because we know that Wingstop is still a relatively low frequency occasion, on average, three times a quarter or once a month.

And so we know that just winning one more occasion in a quarter has a meaningful impact to our AUVs, but we really look at those two things working in concert with one another as we think about how we're going to scale AUVs from 2.1 million today to our target of \$3 million.

Danilo Gargiulo

Okay, excellent. And then on the keychain operation initiative, I'm wondering how many partner stores have you tested it, and what was the early results you were seeing in the past stores in terms of sales uplift from the pent-up demand that you're now serving or maybe some margin improvement that you're seeing? And then how do you plan to communicate the increased speed of service to consumers going forward?

Michael Skipworth

Yes. We're really excited about what we saw in our test, and we've been testing this for over a year now, but most recently we've had it in quite a few restaurants, roughly call it 30 restaurants, and we are seeing a pretty remarkable consistency and increase in speed of service. And we are seeing those restaurants in this test outperform control. Obviously, it's going to take more with the consumer and a marketing message, I think, to really capture that opportunity that we see in front of us.

But as we think about that frequency, just as an example that I referenced earlier, if we're able to win one more occasion, it's a meaningful increase in our average unit volume per restaurant. And so we think we're going to be able to get this rolled out within, call it the next 12 months, and then from there really start to leverage this as a way to capture that unmet demand and become more the consideration set, which gives us a lot of confidence in these strategies we're executing against. It's not really anything, a new strategy, but it really bolsters these existing strategies that we're executing against.

Operator

The next question is from Jeff Farmer with Gordon Haskett. Please go ahead.

Jeff Farmer

You did touch on it, but can you share your thoughts on the health of the Wingstop customer across some of your income cohorts, especially that lower income consumer?

Michael Skipworth

Hey, Jeff. Good morning. Yes, I think more broadly, I guess, more broadly speaking, the consumer seems, I'll just kind of say, okay. If you look at the data, whether it's jobs, whether it's wages, whether it's credit card balances, the consumer seems okay. In general, I wouldn't say good. I wouldn't say bad, just okay. And I think that's consistent for the Wingstop consumer, but I will say in our data and in some of our consumer insights that we conduct, we've definitely seen an elevated increase of just anxiety about the future with the consumer. And obviously, we know that that can impact their behavior and how they engage with whether it's indulgence taking the trip or splurging on anything. But generally speaking, we see the consumer okay, but obviously we'll stay close to this and continue to execute against the strategies we're talking about today.

Jeff Farmer

Okay. That's helpful. And just one follow-up here, in terms of measuring things like anxiety with your core customers, how are you doing that? Is that through a third party, or how are you measuring some of those metrics?

Michael Skipworth

Yes. I mean, we leverage both third-party insights, as well as our own consumer research that we do internally. And I think, it was widely reported in January how you saw an elevated increase in just the consumer's anxiety about the future.

Operator

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

Christine Cho

So, I wanted to touch upon the international side of the business. Do you envision any impact from the recent acquisition of Wingstop U.K. in view of the future Western Europe expansion? And also, how do you continue to drive momentum in Canada? Thank you.

Alex Kaleida

Christine, thanks for the question. The international area is a really exciting area for us. We've been talking about that it's supercharged for growth. And you've also heard us talk about a way to facilitate our strategy on international development by making small investments in these startups as we open a new market. And the U.K. was an example of this. We took a minority equity position in the business.

And you saw the transaction, the value of the transaction upwards of \$500 million for a low up front investment for us. We see that as a way to create value creation for our shareholders as well as facilitate that growth with our brand partners in the market. For the U.K. specifically, at one point, I think we thought the opportunity in the U.K. was somewhere in the 250 restaurant range. As we went through this transaction and just seeing the conversations we're having with the financial sponsor that bought the business. And we now see an opportunity that could be upwards of 450 restaurants. We extended a development agreement as part of this transaction, including Ireland.

And we do see an opportunity where there could be expansion beyond the U.K. and Ireland into Western Europe as well. And so it's a component of our strategy that we're really excited about and probably more to come from us as we enter new markets, which we anticipate in 2025 to be in two to four additional international markets this year.

With regards to Canada, that is another market example that is that start off really strong. It's almost moving up the awareness curve faster than what we saw in our U.K. business. They're now looking at extensions into other provinces in Canada after building those flagship locations and in Toronto proper. And our brand partner is also thinking about examples and opportunities to expand outside of Canada as well, just based on what they've seen and the returns that Wingstop can deliver.

So the international story is a really exciting one for us. In addition to what we're seeing in development, it's a components factoring into our new unit growth outlook of 14 to 15%.

Operator

The next question is from Gregory Francfort with Guggenheim Securities. Please go ahead.

Gregory Francfort

Alex, I think the last time you and I spoke, you were talking about basically the strategy to bring in a customer and then try to get a repeat visit. I think it was in the first 90 days. Can you maybe help frame up what you're doing from that front? How much maybe you've seen that metric improve and just any other strategies you're working on to change that? Thanks.

Alex Kaleida

Yes. Good morning, Greg. Great question. That's an example of one of the metrics we've seen flow through from our launch of MyWingstop. What we do is measure after that first visit of a new guest entering our database, how quickly do they return in that first 90 days? And so we measure that retention rate.

We were just looking for one additional visit following that first one. And coming out of 2024, we had a record level, a record high on new guest retention rates, yet there's still a lot of opportunity for us. And so the investments we're making around enriching the database, attaching 500 different data points to learn about that guest and that profile we can build around them, how they then segment into one of our cohort groups that we can deploy hyper-personalization strategies against, that's a multi-year opportunity.

And as Michael mentioned, something we're very early on and something we see providing benefits in future years.

Operator

This concludes our question-and-answer session and the Wingstop fiscal fourth quarter and full year 2024 earnings conference call. Thank you for attending today's presentation. You may now disconnect.

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