UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File No. 001-37425

WINGSTOP INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-3494862**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
5501 LBJ Freeway, 5th Floor, Dallas, Texas	**75240**
(Address of principal executive offices)	**(Zip Code)**

(972) 686-6500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of June 30, 2017, the aggregate market value of the registrant’s outstanding common equity held by non-affiliates was $892.8 million , based on the closing price of the registrant’s common stock on such date, the last trading day of the registrant’s most recently completed second fiscal quarter.

As of February 23, 2018 , there were 29,112,040 shares of common stock, par value of $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2018 annual meeting of shareholders, which will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 30, 2017 , are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

PART I

Cautionary Note Regarding Forward-Looking Statements

This report includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are intended to come within the safe harbor protection provided by those sections. These statements, which involve risks and uncertainties, relate to the discussion of our business strategies and our expectations concerning future operations, margins, profitability, trends, liquidity and capital resources and to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements can generally by identified by the use of forward-looking terminology, including the terms "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "think," "estimate," "seek," "expect," "predict," "could," "project," "potential" or, in each case, their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. Examples of forward-looking statements in this Annual Report on Form 10-K include, but are not limited to, our expectations with respect to our future liquidity, expenses and consumer appeal. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties, risks and factors relating to our operations and business environments, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by these forward-looking statements. Such risks and other factors include those listed in Item 1A., "Risk Factors," and elsewhere in this report.

When considering forward-looking statements in this report or that we make in other reports or statements, you should keep in mind the cautionary statements in this report and future reports we file with the SEC. New risks and uncertainties arise from time to time, and we cannot predict when they may arise or how they may affect us. Except as required by law, we assume no obligation to update or revise any forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Item 1. Business

Overview

The Wing Experts

Wingstop is a high-growth franchisor and operator of restaurants that specialize in cooked-to-order, hand-sauced and tossed chicken wings. We believe we pioneered the concept of wings as a "center-of-the-plate" item for all of our meal occasions. We offer our guests 11 bold, distinctive and craveable flavors on our bone-in and boneless chicken wings and tenders paired with hand-cut, seasoned fries and sides made fresh daily. Our menu is highly customizable for different dining occasions, and we believe it delivers a compelling value proposition for groups, families, and individuals.

Wings are our "center-of-the-plate" specialty. While other concepts include wings as add-on menu items or focus on wings in a bar or sports-centric setting, we are focused on wings, fries and sides, which generate approximately 92% of our sales. We are the largest fast casual chicken wings-focused restaurant chain in the world, and have demonstrated strong, consistent growth on a global scale. The Company is primarily a franchisor, with approximately 98% of Wingstop's restaurants currently owned and operated by independent franchisees.

We believe our simple and efficient restaurant operating model, low initial cash investment and compelling restaurant economics help drive continued system growth through both existing and new franchisees. Our focused restaurant operating model requires few ingredients and easy preparation within a small, flexible real estate footprint. During fiscal year 2017 , carry-out orders constituted approximately 75% of our sales. We believe our efficient model offers an attractive investment opportunity for our franchisees as evidenced by our domestic average sales-to-investment ratio of 3 to 1 and is further evidenced by the fact that we have more than doubled our global restaurant count since the end of 2011. We believe our asset-light, highly-franchised business model generates strong operating margins and requires low capital expenditures, creating stockholder value through strong and consistent free cash flow and capital-efficient growth.

Our Industry

We operate in the rapidly growing, fast casual segment of the restaurant industry. According to Technomic, the fast casual segment generated approximately $52 billion of sales in 2017, representing a 10% increase from 2016. Technomic projects the fast casual segment will exceed $76 billion in annual sales by 2022. According to Technomic, 2017 total sales for restaurants categorized as limited service restaurants, or LSRs, which includes the fast casual segment, increased 4.4% to $280 billion. We believe that fast casual concepts, such as Wingstop, attract customers away from other restaurant segments and, accordingly, are generating faster growth than the overall restaurant industry and increasing market share relative to other segments.

Segments

Our business is structured into two reporting segments based on the organizational units used by our management to monitor performance and make operating decisions. Our reporting segments are franchise operations and company restaurant operations. Financial data for our reporting segments is included in the audited consolidated financial statements and the related notes thereto included elsewhere in this report.

Our Strengths

Our Menu

Wingstop is the destination when our guests crave fresh, cooked-to-order wings with bold, layered flavors that touch all of the senses. People who prioritize flavor prioritize Wingstop because it is more than a meal, it is a flavor experience. We speak in bold, distinctive and craveable flavors. Our dialect is our 11 proprietary flavors, which range from extremely hot to mild: Atomic, Mango Habanero, Cajun, Original Hot, Louisiana Rub, Mild, Hickory Smoked BBQ, Lemon Pepper, Garlic Parmesan, Hawaiian and Teriyaki.

Our diverse flavor offerings allow our guests to customize their experience. All of our wings are cooked-to-order, hand-sauced and tossed and served fresh to our guests for dine-in or carry-out. We never use heat lamps or microwaves in the preparation of our food. To complement our wings, we serve hand-cut, seasoned fries, crafted from carefully selected whole Russet potatoes. We complete the flavor experience with fresh, hand-cut carrots and celery and ranch and bleu cheese dips made with buttermilk in-house daily. We believe our bold and distinctive flavors leave our guests craving more and create a differentiated and tailor-made flavor experience that drives repeat business and brand loyalty.

Our customizable menu and craveable flavors drive demand across multiple day-parts and occasions. Our 11 flavors, signature fries, freshly-prepared sides and numerous order options (eat-in / to go; individual / combo meals / family packs) allow guests to eat Wingstop during any occasion, whether it is a quick carry-out snack, dine-in dinner with friends or picking up a party size order for their favorite sporting event.

Compelling Unit Economics

We believe the growing popularity of the Wingstop experience and the operational simplicity of our restaurants translate into attractive economics at our franchised and company-owned locations. Existing franchisees accounted for approximately 80% of franchised restaurants opened in 2017 and 2016 , which we believe further underscores our restaurant model's financial appeal.

Upon opening, our restaurant volume generally builds year after year. Our domestic average unit volume ("AUV") has grown consistently, achieving $1.1 million during fiscal year 2017 . Our restaurants are approximately 1,700 square feet on average and yield average sales per square foot of $647 based on 2017 domestic AUV due to the high average carry-out mix of approximately 75% in 2017 . Our operational simplicity results in low labor costs, further improving the profitability of our concept. Our operating model targets a low average estimated initial investment of approximately $370,000 , excluding real estate purchase or lease costs and pre-opening expenses. In year two of operation, we target a franchisee unlevered cash-on-cash return of approximately 35% to 40% . We believe low entry costs and high returns provide a compelling investment opportunity for our franchisees that has helped drive the continued growth of our system.

Proven Portability

Our concept has demonstrated success across the globe, with restaurants operating in 42 states across varying geographic regions, population densities and real estate settings within the United States and in 8 international markets. We have had positive same store sales growth across a wide variety of major markets over the last five years, and on average have only closed seven restaurants per year. Global demand for chicken, broad appeal and the simplicity of our restaurant operating model have supported our success across eight international markets. While our concept has succeeded in a variety of real estate formats and locations, our preferred real estate site is an in-line or end-cap retail strip center location available in most shopping centers. The flexibility of our real estate model coupled with the broad appeal of our food has enabled us to profitably locate restaurants in both urban and suburban areas. Accordingly, we believe our concept is well-positioned for continued system growth in both existing and new markets.

Strength In Numbers

We have demonstrated a consistent track record of strong financial performance:

- Domestic same store sales increased 9.9% in 2013 , 12.5% in 2014 , 7.9% in 2015 , 3.2% in 2016 and 2.6% in 2017 , representing five year cumulative domestic same store sales growth of 36.1% , driven primarily by an increase in transactions, which demonstrates the growing awareness and popularity of our brand;
- Our domestic same store sales growth is even more meaningful given that we have had 14 consecutive years of positive same store sales;
- From 2013 to 2017 , our system-wide sales increased from $550 million to $1.1 billion , which represents growth of 98% over the period;
- Total revenue increased from $59.0 million in 2013 , to $67.4 million in 2014 , to $78.0 million in 2015 , to $91.4 million in 2016 , to $105.6 million in 2017 ; and
- Since 2013 our net income has grown f rom $7.5 million to $27.3 million in 2017 ; and Adjusted EBITDA, increased from $19.5 million in 2013 , to $41.5 million in 2017 .

For a reconciliation of Adjusted EBITDA to net income and a further discussion of how we utilize this non-GAAP financial measure, see "Selected Historical Consolidated Financial and Other Data."

Experienced Management Team

Our strategic vision and results-driven culture are directed by our executive management team under the leadership of our Chairman and Chief Executive Officer, Charlie Morrison. Charlie joined Wingstop in 2012, bringing more than 20 years of experience in the restaurant and multi-unit retail industry, including leadership positions at Pizza Hut, Boston Market, Kinko's, Steak & Ale and, most recently, Rave Restaurant Group, a publicly traded restaurant company, where he served as Chief Executive Officer and led the creation of the award winning Pie Five restaurant concept. Charlie is supported by a strong executive team with significant retail and restaurant experience. Our Chief Financial Officer, Michael Skipworth, came to us from KPMG LLP and, most recently Cardinal Logistics, where he was the Senior Vice President of Finance and Accounting. Our Chief Experience Officer, Stacy Peterson, brings 15 years of information technology experience and came to us from multi-unit retailers, including Blockbuster and Kinko's. Heading up our marketing efforts is Flynn Dekker, who has over 20 years of experience and was previously the Chief Marketing Officer of Fogo de Chao and Rave Restaurant Group. Madison Jobe, our Chief Development Officer, joined us from Development Strategies International, a restaurant advisory firm where he was Founder and Chief Executive Officer, and brings 40 years of experience in the restaurant industry to oversee our franchise development efforts. Larry Kruguer, Chief Operating Officer, joined us in June 2015 from Wendy's International, where he served as Vice President, International Joint Ventures. Darryl Marsch, our General Counsel, has over 25 years of legal experience and previously served as the General Counsel of Krispy Kreme Doughnuts, Inc. during its turnaround and growth phase. We believe our management team is a key driver of our success and positions us well for long-term growth.

Our Growth Strategy

Franchise Expansion

We believe that there is significant opportunity to expand globally, and we intend to focus our efforts on increasing our geographic penetration in both existing and new domestic markets as well as international markets. We believe our highly-franchised model positions us for continued strong unit growth over the medium and long-term. We expect high franchisee demand for our brand, supported by compelling unit economics, operational simplicity, low entry costs and flexible real estate profile, to drive global restaurant growth. Based on our internal analysis, we believe there is opportunity for our brand to grow to approximately 2,500 restaurants across the United States. Further, we believe there is a long term opportunity to expand our brand internationally to become a top 10 global restaurant company.

We intend to achieve our domestic restaurant potential by expanding in our existing markets where we believe we have the opportunity to more than double our current restaurant count. In addition, we will continue to expand into new markets. Our "inside out" domestic market expansion strategy focuses our initial development in urban centers where our core demographic is most densely populated and then builds outward into suburban areas as our brand awareness grows in the market. We have a robust domestic development pipeline, including 450 total commitments to open new franchised restaurants as of December 30, 2017 . Approximately 80% of our current domestic commitments are from existing franchisees, supporting the attractiveness of our restaurant business model as well as our positive franchisor/franchisee relationships. We believe that our highly-franchised business model provides a platform for continued growth as it allows us to focus on our core strengths of flavor innovation, marketing and guest engagement, and franchisee selection and support, while growing our restaurant presence and brand recognition with limited capital investment by us.

We also believe that there is a significant opportunity to grow our business internationally. We opened our first international location in Mexico in 2009. As of December 30, 2017 , we had 106 international restaurants located in Colombia, Indonesia, Malaysia, Mexico, the Philippines, Saudi Arabia, Singapore, and the United Arab Emirates, all of which are franchised. In 2017 , we opened 32 international locations. We currently have 584 international restaurant commitments sold as of December 30, 2017 . During 2017 , we entered into international expansion agreements to open 30 locally operated franchise locations in Malaysia over the next 6 years, 100 locations in the United Kingdom over the next 12 years, 110 locations in Australia and New Zealand over the next 10 years, and 75 locations in France over the next 12 years. We believe that our restaurant operating model will translate well internationally based on our small real estate footprint, our simplicity of operations, the universal and broad appeal of chicken, and our ability to customize our wide variety of flavors to local tastes.

Long-term Domestic Same Store Sales Growth

- *National Advertising*

In February 2017, we launched our national advertising program. This transition to national advertising from our advertising cooperatives, a more locally driven advertising approach, provided us with more reach and frequency in existing media markets in addition to coverage for smaller and newer markets where we did not previously utilize television advertising. In 2016, approximately half of our domestic restaurants experienced some benefit of TV advertising across 10 markets. In 2017, we covered 100% of our domestic system with TV advertising, reaching over 80% of adults ages 18 to 49. We also utilize an extensive range of social media and digital marketing tools including search engine, programmatic, native, digital video and social media advertising. At a national level, we advertise on Google, Yahoo and Bing through search engine advertising and also through Facebook, Twitter, Instagram and Snapchat via paid social advertising.

- *Digital Expansion*

We are making focused investments in technology to provide the most convenient, engaging, and cutting edge brand experience for our fans and drive increased sales. In 2014, we launched an updated online ordering system and mobile ordering application, or app, that simplifies the ordering process and integrates into our point-of-sale (“POS”) system, uniting online and register ordering across our system. We were one of the first to launch bot technology and customizable ordering on Facebook Messenger, Twitter and Amazon Alexa. We believe that we are poised for continued digital growth. Digital sales totaled 23% of sales during the fourth quarter of 2017 , compared to the fast casual industry average of 6%. Digital sales in the fourth quarter of 2017 have more than doubled from the launch of our digital tools in the fourth quarter of 2014. Additionally, average transaction size for online orders is approximately $5 higher than the average for all other orders.

- *Delivery*

In 2017, we initiated a delivery test in three markets utilizing a third party delivery service provider. Our initial test market was Las Vegas where we have ten restaurants, five company-owned and five franchised, and we experienced approximately a 10% lift in sales from offering delivery. The results of our initial tests have also suggested that the majority of this sales lift was incremental sales, or sales from new Wingstop customers. Similar to our digital expansion, the average transaction size for delivery orders that is approximately $5 higher than the average for all other orders. We anticipate that our rollout of delivery to additional markets will occur throughout 2018 and 2019 market-by-market as delivery coverage from our third party delivery service provider improves. Further, we believe adding delivery will continue to drive domestic same store sales growth.

Our Franchise

Franchise Overview

Our franchisees operated a total of 1,110 restaurants in 42 states, Latin America, the Middle East and Southeast Asia as of December 30, 2017 . We have rigorous qualification criteria and training programs for our franchisees and require them to adhere to strict operating standards. We work hard to ensure that every Wingstop franchise location meets the same quality and customer service benchmarks in order to preserve the consistency and reliability of the Wingstop brand.

We have a broad and diversified domestic franchisee base. Since 2014, the number of franchisees who own more than ten restaurants has doubled. This increase is consistent with our strategy to grow with our existing franchisees. Our domestic franchise base has an average restaurant ownership of approximately 3 restaurants per franchisee.

Franchise Agreements . Our franchisees execute a separate franchise agreement for each restaurant opened, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions.

Our standard franchise agreement changes from time to time, and terms may vary among franchisees. We generally update and/or revise our franchise agreement on an annual basis and, as a result, the agreements we enter into with individual franchisees may vary. Through 2017 , our franchise documents provided that franchisees must pay a franchise fee of $20,000 for the first restaurant opened under a development agreement and $12,500 for each additional restaurant opened. If a franchisee has entered into an area development agreement with us (which occurs, in most cases, even if a franchisee wants to develop only one restaurant), the aggregate initial fee currently is $30,000 for the first restaurant and $22,500 for each subsequent restaurant under such development agreement, in each case including a $10,000 development fee per restaurant. The $10,000 development fee per restaurant to-be-developed is paid in full at the time a development agreement is signed for the grant of development rights and is not refundable.

Effective March 1, 2017, we eliminated the franchise fee discount for all new development agreements. This change will require franchisees to pay a franchise fee of $20,000 for each restaurant opened. The majority of our existing franchise agreements require our franchisees to pay us a royalty of 5% of their gross sales net of discounts. New franchise agreements signed pursuant to development agreements entered into on or after July 1, 2014 require our franchisees to pay us a royalty of 6% of their gross sales net of discounts. Our franchise agreements allow us to assess franchisees an advertising fund contribution based on their gross sales net of discounts. In 2017 , we charged a national advertising fund contribution equal to 3% of gross sales under all existing franchise agreements. In addition, franchisees may vote to increase their required advertising fund contribution. Our current form of franchise agreement also requires franchisees to spend at least 1% of their gross sales on local advertising and promotions. Franchisees operating under pre-2014 forms of franchise agreement were not contractually required to spend any minimum amount on local advertising, although we recommended that they spend at least 4% of their restaurants' gross sales on advertising and marketing.

The boundaries of the area in which a franchisee may locate its restaurant, which we refer to as the development area, depend on the population and other demographic features of the market in which the franchisee wants to locate its restaurant(s). The development area may range from a sector of a large metropolitan area to the city or county limits of a smaller municipality. Based on the franchisee's proposal and our analysis, we identify and describe in the development agreement the boundaries of an appropriately-sized development area and, if we expect the franchisee to operate more than one restaurant, the number of restaurants that must be developed in the development area. The development agreement does not permit us to change the development area after it is established. Whether a development agreement covers one or several restaurants, it contains a schedule of the dates by which the franchisee must sign leases and open each restaurant, and failure by the franchisee to adhere to the development agreement's schedule is an event of default under the development agreement.

All of our franchise agreements require that each franchised restaurant be operated in accordance with our defined operating procedures, adhere to the menu we establish and meet applicable quality, service, health and cleanliness standards. We may terminate the franchise rights of any franchisee who does not comply with our standards and requirements. We believe that maintaining superior food quality, an inviting and energetic atmosphere and excellent guest service are critical to the reputation and success of our concept. Therefore, we aggressively enforce the contractual requirements of our franchise agreements.

How We Support our Franchisees

Site Selection and Development . Franchisees operating in the United States must use our approved real estate broker in their markets during the site search, review, and leasing process. We also have lists of approved site surveyors, permit expeditors and architectural and engineering consultants for restaurant development and build-out. We give franchisees general guidelines to follow and consider in choosing a site for any new restaurant. We do not own any real estate in the United States on which franchised restaurants are located and do not lease restaurant sites to franchisees.

We provide franchisees information about a typical restaurant's lay-out, utility requirements and signs and, in the United States, a lease rider containing provisions we require to be attached to every restaurant lease. Once a domestic franchisee has selected one or more proposed sites, we will evaluate and critique the written site proposals required to be submitted for our consideration and may, at our option, visit the development area to inspect the sites proposed. Franchisees may not proceed with negotiations to lease a site before we approve that site.

We currently are not significantly involved in our international franchisees' site selection process. We review but do not pre-approve the sites they select for their franchised restaurants. However, we give our international franchisees general guidelines to follow and request them to complete a site analysis for our oversight as they finalize the site selections for their restaurants. We do not own any real estate internationally on which franchised restaurants are located and do not lease restaurant sites to franchisees.

Training, Pre-Opening Assistance and Ongoing Support . Franchisees (along with their managers) must attend and successfully complete a 4-week training program before we will issue an opening date for a restaurant. Our training program covers various topics, including Wingstop culture, food preparation and storage, food safety, specific position training, uniforms, cleaning and sanitation, marketing and advertising, POS systems, accounting and hospitality, among others. Unless a franchisee commits to operate his or her own restaurant (*i.e.* , “owner-operated”), the franchisee must hire a general manager who either has roots in the general area where the restaurant is located or is willing to move to the general area. Our international franchisees likewise must complete required training and are principally responsible for training their managers and other employees.

When a domestic franchisee opens his or her first Wingstop restaurant, we provide the owner with an opening restaurant trainer for up to six days and may elect to send an opening restaurant trainer to a franchisee’s second or later restaurant location for an amount of time we determine to be appropriate. We also provide lists of approved inventory, suppliers and small-wares that are needed to stock and operate each restaurant and help franchisees locate qualified suppliers of chicken and other supplies and ingredients that meet our specifications.

We also have an internal operations infrastructure that provides ongoing support to our franchisees. We utilize a field-based team of franchise business consultants who act as local resources to assist our franchisees to run their restaurants in accordance with Wingstop standards and who also assist with efforts to grow restaurant sales. The main responsibilities of our franchise business consultants include communicating and conveying certain initiatives and process enhancements to our franchisees and conducting business reviews in order to assist franchisees to operate more efficiently, with a focus on increasing restaurant sales and profits. Additionally, we maintain programs to monitor and evaluate the adherence of franchised restaurants to our quality, service and cleanliness standards. For example, we have a group of field alignment managers who conduct standardized quarterly reviews of each of our franchised restaurants’ operations to help ensure that our brand standards are maintained. We also employ a third-party customer survey program to monitor guest experience and quality standards at franchised restaurants.

In addition to our hands-on training and assistance, we provide an operations manual to each restaurant location that includes sections on topics such as business operations, food safety, crew, hospitality, quality products, guest services, packaging and presentation, restaurant cleaning, restaurant and equipment maintenance, POS systems, quality control, advertising and marketing and emergency management.

Franchise Advisory Council . In December 2002, we organized a Franchise Advisory Council, which we refer to as the Council, to consult with us about system-wide advertising themes and campaigns and other operational matters. The Council is composed of franchise members, all of whom are elected by our franchisees, and meets quarterly to review marketing strategies and provide input on topics such as advertising messages, operational standards and system-wide initiatives. While the Council functions only in an advisory capacity, and we may disregard its recommendations if we choose, we view the Council as an important component of our domestic franchisee support program.

Point-of-Sale System . We require that our domestic franchisees utilize a uniform POS system. As of the end of 2016, we have substantially completed upgrading to a more robust POS system from prior legacy systems. Our POS system, in conjunction with our Intranet system, allows us to track sales at each restaurant location. Our restaurant operations require no other computers for a restaurant location. Our POS system integrates with our online ordering app, allowing for seamless recording and tracking of sales. Furthermore, our POS system provides our franchisees with additional back office tools that we believe will assist in cost control, create operational efficiencies and drive sales.

Supply Chain Assistance . We assist our franchisees by negotiating regional and national contracts for chicken and other commodities and other items needed to develop and operate a Wingstop restaurant. We designate and approve suppliers in order to ensure that all ingredients and supplies utilized in our restaurants satisfy our grade and quality standards. As we negotiate regional and national contracts, we seek to promote the overall interests of our franchise system and our interests as the franchisor. We approve suppliers based on their ability to meet our specifications and quality control requirements and to supply products to our franchisees at competitive prices.

Research and Development . We lead product innovation and testing efforts for our franchisees, including new wing sauce flavors, side items, new chicken wing, chicken strip or other menu additions, and new beverage options. New product research and development is located in our headquarters facility in Dallas, Texas. We rely on our internal culinary team and, from time to time, third party experts, leveraging consumer research to develop and test new products for our franchised and company-owned restaurants.

Marketing and Advertising Support

We utilize three levels of advertising: (1) system-wide advertising, which is coordinated through our ad fund; (2) local advertising, which franchisees handle with materials we create or approve; and (3) cooperative advertising among multiple franchisees in a given market.

Ad Fund . We created a not-for-profit advertising fund in July 1999, which we refer to as the ad fund. All restaurants, including our company-owned restaurants, must contribute to the ad fund. Our franchise agreements allow us to assess an ad fund contribution from domestic franchisees based on their gross sales net of discounts. Beginning in fiscal year 2017 , we charged 3% of gross sales under all existing domestic franchise agreements.

We direct and retain sole control over all advertising and promotions that the ad fund finances. We use a national advertising agency to create our advertising and promotional materials. We use another agency to create localized versions of our advertising and promotional materials.

Digital Advertising . We currently utilize an extensive range of social media and digital marketing tools including, search engine, programmatic, native, digital video and social media advertising. We also maintain website hosting and manage the development and maintenance of the mobile Wingstop app. We market Wingstop products, services and restaurants through our website that we maintain at www.wingstop.com. Our website features a site locator page on the website showing the addresses, telephone numbers and ability to online order for each restaurant. At a national level, we advertise on Google, Yahoo and Bing through search engine advertising and also through Facebook, Twitter, Instagram and Snapchat via paid social advertising. Additionally, we assist franchisees in planning and executing localized geo-targeted digital marketing for their restaurants, including internet and mobile marketing.

Franchisees may not use electronic media, including the Internet or mobile, to advertise their restaurants without first obtaining our written consent and complying with any conditions and restrictions we wish to impose. We may assess franchisees a fee of up to $100 per month to pay for our website's and Intranet's maintenance and improvement costs.

Social Media . Wingstop has a strong brand presence on both emerging and well-established social media platforms for digital collaboration, including smartphone apps and native sites such as Facebook, Twitter, Instagram, and Snapchat. We adhere to social media guidelines that embody our strategic vision and apply to both company-owned and franchised restaurants. These guidelines will continually evolve as new technologies and social networking tools emerge.

Local Advertising . We advertise our company-owned restaurants primarily through online and mobile advertising and paid search, and expect franchisees to follow the same pattern. Our current form of franchise agreement requires franchisees to spend at least 1% of their gross sales on local advertising and promotions, which is in addition to amounts contributed to the ad fund as described above. Franchisees operating under pre-2014 forms of franchise agreement are not contractually required to spend any minimum amount on local advertising, although we recommended that they spend at least 4% of their restaurants' gross sales on local advertising and marketing.

Advertising Cooperatives . When a franchisee and at least one other restaurant operator have opened restaurants in the same designated market area ("DMA"), we may require the franchisee and the other operator(s) to form a cooperative advertising association. Each cooperative's members will set their cooperative's required contribution rate, but we retain the right to disapprove a rate lower than 1% of gross sales. Contributions to advertising cooperatives are credited toward a franchisee's 1% local advertising obligation. Currently, the members of an advertising cooperative administer the cooperative, and we intervene only to resolve disputes. In that event, our decision is binding.

As of December 30, 2017 , advertising cooperatives have been formed in the following DMAs: Phoenix, Arizona; Los Angeles, California; Sacramento-Stockton-Modesto, California; San Diego, California; San Francisco, California; Denver, Colorado; Miami-Ft. Lauderdale, Florida; Chicago, Illinois; Austin, Texas; Dallas / Ft. Worth, Texas; Houston, Texas; and San Antonio, Texas.

National Advertising . In 2017, we transitioned to a national advertising program. Under this new program, franchisees contributed 3% of gross sales to the ad fund that is utilized to create advertising content and purchase digital and television advertising at a national level. This change is not an increase in the 4% of the restaurants' gross sales that has historically been spent on advertising, but rather a reallocation of the 4% . Franchisees will spend the remaining 1% of gross sales on local advertising or cooperative advertising. This transition to national advertising from our advertising cooperatives, a more locally driven advertising approach, provided us with more reach and frequency in existing media markets in addition to coverage for smaller and newer markets where we did not previously leverage television.

Competition

The restaurant industry is intensely competitive. We compete on the basis of the taste, quality and price of food offered, guest service, ambiance, location and overall dining experience. We believe that our attractive price-value relationship, our flexible service model and the quality and distinctive flavor of our food enable us to differentiate ourselves from our competitors.

We believe we compete primarily with fast casual establishments and quick service restaurants such as other wing-based take-out concepts, local and regional sports bars and casual dining restaurants. Many fast casual and carry-out concepts offer wings as add-on items to other food categories such as pizza, but typically do not focus on wings. Other competitors emphasize wings in a bar or sports-centric setting. Many of these direct and indirect competitors are well-established national, regional or local chains. We also compete with many restaurant and retail establishments for site locations and restaurant-level employees.

Suppliers and Distribution

We insist that all ingredients and supplies utilized in Wingstop restaurants satisfy our grade and quality standards. Our franchisees are required to purchase all chicken, groceries, produce, beverages, equipment and signage, furniture, fixtures, logo-imprinted paper goods and cleaning supplies solely from suppliers that we designate and approve. We regularly inspect vendors to ensure that products purchased conform to our standards and that prices offered are competitive.

The principal raw materials for a Wingstop restaurant operation are bone-in and boneless chicken wings. Therefore, chicken is our largest product cost item and represented approximately 70% of all purchases for 2017 . Company-owned and franchised restaurants purchase their bone-in and boneless chicken wings from suppliers that we designate and approve. We designate sources for potatoes to ensure that they are grown to our specifications. We also require franchisees to use our proprietary sauces, seasonings and spice blends and purchase them and other proprietary products only from designated sources.

All food items and packaging goods for our restaurants can be sourced through one vendor, The Sygma Network, Inc., which we refer to as Sygma. There are nine regional Sygma distribution centers which carry all products required for a Wingstop restaurant and service all of our domestic locations. Sygma is obligated under our agreement to deliver at least twice weekly to our restaurants. We contract directly with manufacturers to sell products to Sygma, who in turn receives a fee for delivering these items to our restaurants. The majority of our highest spend items are formula or fixed contract priced. We have also negotiated agreements with our soft drink suppliers to offer soft drink dispensing systems, along with associated branded products, in all Wingstop restaurants.

As the Wingstop system grows, we will continue to negotiate regional or national contracts for chicken and other commodities and other items needed to develop and operate all of our restaurants and may use a designated or approved supplier approach.

Management Information / Technology Systems

We have core management information systems in place and believe they are scalable to support our future growth plans. We specify a standard POS system in all of our company-owned restaurants and virtually all franchised restaurants that helps facilitate the operation of the restaurants by recording sales, cost of sales and labor and other operating metrics and allows managers to create various reports to assess performance. Our POS system is configured to record and store financial information in a manner that we specify, and we require franchisees to provide us with continual and unlimited independent access to all information on each POS system. We believe our current information systems are sufficient to support our planned expansion for the foreseeable future.

We have an online ordering system and mobile ordering app, which makes it easy for our guests to order-ahead, which we believe increases the frequency of our guests' visits and leads to higher check averages.

We require that our franchisees' electronic information systems, including POS systems, comply with and maintain established network security standards, including applicable Payment Card Industry (PCI) standards.

Intellectual Property and Trademarks

We own a number of trademarks and service marks registered with the U.S. Patent and Trademark Office and with foreign trademark authorities.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position, and, therefore, we devote resources to the protection of our trademarks and proprietary rights.

Seasonality

Our restaurants have not experienced significant revenue fluctuations that can be attributed to seasonal factors.

Employees

As of December 30, 2017 , we employed 530 persons, of whom 149 were full-time corporate-based and regional personnel. The remainder was part-time or restaurant-level employees. None of our employees is represented by a labor union or covered by a collective bargaining agreement, and we believe that we have good relations with our employees. Our franchise owners are independent business owners, so they and their employees are not included in our employee count.

Government Regulation

Federal . We and our franchisees are subject to various federal regulations affecting the operation of our business. We and our franchisees are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing matters such as minimum wage requirements, overtime, fringe benefits, workplace safety and other working conditions and citizenship requirements. A significant number of our and our franchisees' food service personnel are paid at rates related to the applicable minimum wage, and past increases in the minimum wage have increased our and our franchisees' labor costs, as would future increases. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us and our franchisees.

We and our franchisees are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act of 1990 and related federal and state statutes, which generally prohibit discrimination in accommodations or employment based on disability. We and our franchisees may in the future have to modify our restaurants to provide service to or make reasonable accommodations for disabled persons. While these expenses could be material, our current expectation is that any such actions will not require us to expend substantial funds.

The Patient Protection and Affordable Care Act of 2010 (PPACA), enacted in March 2010, requires chain restaurants with 20 or more locations in the United States to comply with federal nutritional disclosure requirements. The U.S. Food and Drug Administration (FDA) published the final rules on menu and vending machine nutrition labeling, which amended section 403(q) of the Federal Food, Drug, and Cosmetic Act (FFDCA) to establish requirements for the nutrition labeling of standard menu items at restaurants or similar retail food establishments with 20 or more locations. Under the rule, calorie information must be provided clearly and conspicuously next to the listed standard menu item on a menu or menu board. In addition to calorie information, each menu or menu board must prominently include a succinct statement concerning suggested caloric intake. Upon request, covered establishments must provide information about the total calories, calories from fat, total fat, saturated fat, trans fat, cholesterol, sodium, total carbohydrates, fiber, sugars, and protein in their standard menu items. The rule contains detailed requirements for providing calorie and nutrition information and determining nutrient content. The effect of such labeling requirements on consumer choices, if any, is unclear at this time, and it is also unclear whether these regulations will be implemented on May 7, 2018 as announced, or further postponed by the FDA as was the case in 2016 and 2017.

Furthermore, a number of states, counties and cities have previously enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the federal legislation is intended to preempt conflicting state or local laws on nutritional labeling, until our system is required to comply with the federal law we and our franchisees will be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another.

There is also a potential for increased regulation of food in the United States, such as recent changes in the Hazard Analysis and Critical Control Points (HACCP) system requirements. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have adopted legislation or implemented regulations which require restaurants to develop and implement HACCP systems. Similarly, the United States Congress and the FDA continue to expand the sectors of the food industry that must adopt and implement HACCP programs. The Food Safety Modernization Act (FSMA) was signed into law in January 2011 and significantly expanded the FDA's authority over food safety, granting the FDA authority to proactively ensure the safety of the entire food system, including through new and additional hazard analysis, food safety planning, increased inspections and permitting mandatory food recalls. Although restaurants are specifically exempted from some of these new requirements and not directly implicated by other requirements, we anticipate that some of the FSMA provisions and the FDA's implementation of the new requirements may impact our industry. We cannot assure you that we will not have to expend additional time and resources to comply with new food safety requirements required by either the FSMA or future federal food safety regulation or legislation. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

We and our franchisees are also subject to anti-corruption laws, including the FCPA, and other anti-corruption laws that apply in countries where we do business. The FCPA, UK Bribery Act and these other laws generally prohibit us, our food service personnel, our franchisees, their food service personnel and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential FCPA violations, and we participate in relationships with third parties whose actions could potentially subject us to liability under the FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We and our franchisees are also subject to other laws and regulations governing our international operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Asset Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations and transfer pricing regulations.

One of the legal foundations fundamental to the franchise business model has been that, absent special circumstances, a franchisor is generally not responsible for the acts, omissions or liabilities of its franchisees. Recently, established law has been challenged by the plaintiffs' bar. Although recent pronouncements from the National Labor Relations Board indicate that it will adhere to traditional tests for determining when a "joint-employer" relationship exists, if these challenges are successful in altering currently settled law, it could significantly change the way we and other franchisors conduct business and adversely impact our profitability. For example, a determination that we are a "joint employer" with our franchisees or that franchisees are part of one unified system with joint and several liability under the National Labor Relations Act, statutes administered by the Equal Employment Opportunity Commission, Occupational Safety and Health Administration, or OSHA, regulations and other areas of labor and employment law could subject us and/or our franchisees to liability for the unfair labor practices, wage-and-hour law violations, employment discrimination law violations, OSHA regulation violations and other employment-related liabilities of one or more franchisees. In September 2017, Australia enacted a law potentially making franchisors liable as a "joint employer" of their franchisees. The impact of this legislation has yet to be determined.

State . We are subject to extensive and varied state and local government regulation affecting the operation of our business, as are our franchisees, including regulations relating to public and occupational health and safety, sanitation, fire prevention and franchise operation. Each franchised restaurant is subject to licensing and regulation by a number of governmental authorities, including with respect to zoning, health, safety, sanitation, nutritional information disclosure, environmental and building and fire safety, in the jurisdiction in which the franchised restaurant is located. Our and our franchisees' licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by us or our employees, or our franchisees or their employees, of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of patrons or employees, advertising, wholesale purchasing and inventory control.

We require our franchisees to operate in accordance with standards and procedures designed to comply with applicable codes and regulations. However, our or our franchisees' inability to obtain or retain health department or other licenses would adversely affect operations at the impacted restaurant or restaurants. Although we have not experienced, and do not anticipate, any significant difficulties, delays or failures in obtaining required licenses, permits or approvals, any such problem could delay or prevent the opening, or adversely impact the viability, of a particular restaurant.

We and our franchisees may be subject in certain states to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

In addition, in order to develop and construct our restaurants, we and our franchisees need to comply with applicable zoning and land use regulations. Federal and state regulations have not had a material effect on our operations to date, but more stringent and varied requirements of local governmental bodies with respect to zoning and land use could delay or even prevent construction and increase development costs of new restaurants.

In addition, we are subject to the rules and regulations of the Federal Trade Commission and various state laws regulating the offer and sale of franchises. The Federal Trade Commission and various state franchise laws require that we furnish a franchise disclosure document containing certain information to prospective franchisees in advance of any franchise sale or the receipt of any consideration for the franchise, and a number of states require registration of the franchise disclosure document at least annually with state authorities. We are operating under exemptions from registration (though not disclosure) in several states based on our qualifications for exemption as set forth in each such state's laws. Substantive state laws that regulate the franchisor-franchisee relationship, including in the areas of termination and non-renewal, presently exist in a substantial number of states. We believe that our franchise disclosure document and franchising procedures comply in all material respects with both the Federal Trade Commission guidelines and all applicable state laws regulating franchising in those states in which we have offered franchises.

International . Our franchised restaurants in Mexico, the Middle East, South America and Southeast Asia are subject to national and local laws and regulations. We believe that our international franchised restaurants and procedures comply in all material respects with the laws of the applicable foreign jurisdiction. As noted above, Australia enacted "joint employer" legislation in September 2017.

Environmental . Our operations, including the selection and development of company-owned and franchised restaurants and any construction or improvements we or our franchisees make at those locations, are subject to a variety of federal, state and local laws and regulations concerning waste disposal, pollution, protection of the environment and the presence, discharge, storage, handling, release and disposal of (or exposure to), hazardous or toxic substances. We provide training to, and require compliance with applicable laws by, our employees and franchisees in the use of chemicals, which are primarily used in small quantities for cleaning our restaurants. Storage, discharge and disposal of hazardous substances are not a significant part of our operations. Generally, our restaurants are located in residential neighborhoods but sometimes might be located in areas which were previously occupied by more environmentally significant operations. Environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation and sometimes require owners or operators of contaminated property to remediate the property, regardless of fault. We are not aware of any environmental laws that will materially affect our results of operations, or result in material capital expenditures relating to our operations. However, we cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered, interpreted or enforced, or the amount of future expenditures that we may need to comply with, or to satisfy claims relating to, environmental laws.

Available Information

We maintain a website at www.wingstop.com, including an investor relations section at ir.wingstop.com in which we routinely post important information, such as webcast of quarterly calls and other investor events in which we participate or host, and any related materials. Our Code of Business Conduct and Ethics is also in this section of our website. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as well as other reports relating to us that are filed with or furnished to the SEC, free of charge in the investor relations section of our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The public may also read and copy materials we file with or furnish to the SEC at the SEC's Public Reference Room, which is located at 100 F Street, NE, Room 1580, Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.SEC.gov.

The contents of the website mentioned above are not incorporated into and should not be considered part of this report. The references to URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Risks Related to Our Business and Our Industry

If we fail to successfully implement our growth strategy, which includes opening new restaurants, our ability to increase our revenue and operating profits could be adversely affected.

Our growth strategy relies substantially upon new restaurant development by existing and new franchisees and we are continuously seeking to identify target markets where we can enter or expand, taking into account numerous factors such as the location of our current restaurants, demographics, traffic patterns and information gathered from local employees. While we believe there is opportunity for our brand to grow to up to approximately 2,500 domestic restaurants over the long term, we do not currently target a specific number of annual new restaurant openings over a multi-year period. We and our franchisees face many challenges in opening new restaurants, including:

- availability of financing;
- selection and availability of suitable restaurant locations;
- competition for restaurant sites;
- negotiation of acceptable lease and financing terms;
- securing required governmental permits and approvals, including zoning approvals;
- expansion into new markets, consumer tastes in new markets and acceptance of our products;
- employment and training of qualified personnel in local markets;
- impact of inclement weather, natural disasters, and other acts of nature;
- general economic and business conditions;
- unanticipated increases in construction and development costs; and
- the general legal and regulatory landscape in which we and our restaurants operate.

In particular, because the majority of our new restaurant development is funded by franchisee investment, our growth strategy is dependent on our franchisees' (or prospective franchisees') ability to access funds to finance such development. We do not provide our franchisees with direct financing and therefore their ability to access borrowed funds generally depends on their independent relationships with various financial institutions. Some of our existing franchisees utilize loans guaranteed by the U.S. Small Business Administration ("SBA") which guarantees loans made by financial institutions to small businesses in the U.S., including franchisees. If SBA guaranteed loans are no longer available to our franchisees (or potential franchisees), their ability to obtain the requisite financing at attractive rates, or at all, could be adversely affected. Moreover, if our franchisees (or prospective franchisees) are not able to obtain financing from any source at commercially reasonable rates, or at all, they may be unwilling or unable to invest in the development of new restaurants, and our future growth could be adversely affected.

As a result of the foregoing, we cannot predict the time period over which we may achieve our anticipated level of domestic restaurant growth or whether we will achieve this level of growth at all. In addition, as we continue to grow our business, our rate of expansion relative to the size of our restaurant base will eventually decline.

To the extent our franchisees are unable to open new restaurants as we anticipate, our revenue growth would come primarily from growth in same store sales. Our failure to add a significant number of new restaurants or grow domestic same store sales would adversely affect our ability to increase our revenue and operating income and could materially and adversely harm our business and operating results.

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Any increase in the prices of the ingredients most critical to our menu, particularly chicken, could adversely affect our operating results. Bone-in chicken wing prices, which we do not effectively hedge, in our company-owned restaurants in 2017 averaged 18% higher than in 2016 as the average price per pound increased. If there is a significant rise in the price or size of bone-in chicken wings, and we are unable to successfully adjust menu prices or otherwise make operational adjustments to account for the higher wing prices, our operating results could be adversely affected. For example, bone-in chicken wings accounted for approximately 31% of our costs of sales in fiscal 2017 and 2016 . A hypothetical 10% increase in the bone-in chicken wing costs for fiscal 2017 would have increased cost of sales by approximately $0.9 million for fiscal 2017 .

Although we try to manage the impact that these fluctuations have on our operating results, we remain susceptible to increases in food costs as a result of factors beyond our control, such as general economic conditions, seasonal fluctuations, weather conditions, demand, food safety concerns, product recalls and government regulations. Inflation also increases the costs of our food frequently. Additionally, avian influenza, or similar poultry-related diseases, may negatively affect the supply chain by increasing costs and limiting availability of chicken. As a result, we may not be able to anticipate or react to changing food costs by adjusting our purchasing practices or menu prices, which could cause our operating results to deteriorate. In addition, because we provide moderately-priced food, we may choose not to, or be unable to, pass along commodity price increases to our customers.

Our success depends in significant part on the future performance of existing and new franchise restaurants, and we are subject to a variety of additional risks associated with our franchisees.

A substantial portion of our revenue comes from royalties generated by our franchised restaurants. We anticipate that franchise royalties will represent a substantial part of our revenue in the future. As of December 30, 2017 , we had 314 domestic franchisees operating 1,004 domestic restaurants and 8 international franchisees operating 106 international restaurants. Our largest franchisee operated 67 restaurants and our top 10 franchisees operated a total of 283 restaurants as of December 30, 2017 . Accordingly, we are reliant on the performance of our franchisees in successfully operating their restaurants and paying royalties to us on a timely basis. Our franchise system subjects us to a number of risks, any one of which may impact our ability to collect royalty payments from our franchisees, may harm the goodwill associated with our franchise, and may materially adversely affect our business and results of operations.

Our franchisees are an integral part of our business. We may be unable to successfully implement our growth strategy without the participation of our franchisees and the adherence by our franchisees of our restaurant operation guidelines. Because our ability to control our franchisees is limited, our franchisees may fail to focus on the fundamentals of restaurant operations, such as quality, service and cleanliness, which would have a negative impact on our success. In addition, our franchisees may fail to participate in our marketing initiatives, which could materially adversely affect their sales trends, average weekly sales and results of operations. Although we provide frequent training opportunities to our franchisees to ensure consistency among our operations, there may be differences in product quality of operations at our franchised restaurants that impacts the profitability of those restaurants.

In addition, if our franchisees fail to renew their franchise agreements, our royalty revenue may decrease which in turn could materially and adversely affect our business and operating results. It also may be difficult for us to monitor our international franchisees' implementation of our growth strategy due to our lack of personnel in the markets served by such franchisees.

Furthermore, a bankruptcy of any multi-unit franchisee could negatively impact our ability to collect payments due under such franchisee's franchise agreements. In a franchisee bankruptcy, the bankruptcy trustee may reject its franchise agreements pursuant to Section 365 under the United States bankruptcy code, in which case there would be no further royalty payments from such franchisee. The amount of the proceeds, if any, that may ultimately be recovered in a bankruptcy proceeding of such franchisee may not be sufficient to satisfy a damage claim resulting from such rejection.

If we fail to identify, recruit and contract with a sufficient number of qualified franchisees, our ability to open new franchised restaurants and increase our revenue could be materially adversely affected.

The opening of additional franchised restaurants depends, in part, upon the availability of prospective franchisees who meet our criteria. We may not be able to identify, recruit or contract with suitable franchisees in our target markets on a timely basis or at all. Although we have developed criteria to evaluate and screen prospective franchisees, our franchisees may not ultimately have the business acumen or be able to access the financial or management resources that they need to open and successfully operate the restaurants contemplated by their agreements with us, or they may elect to cease restaurant development for other reasons and state franchise laws may limit our ability to terminate or modify these license agreements. If we are unable to recruit suitable franchisees or if franchisees are unable or unwilling to open new restaurants as planned, our growth may be slower than anticipated, which could materially adversely affect our ability to increase our revenue and materially adversely affect our business, financial condition and results of operations.

Our success depends on our ability to compete with many other restaurants.

The restaurant industry in general, and the fast casual category in particular, are intensely competitive, and we compete with many well-established restaurant companies on the basis of food taste and quality, price, service, value, location, convenience and overall customer experience. Our competitors include restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and regional restaurant companies, including restaurants offering chicken wing products, as well as dine-in, carry-out and delivery services offering other types of food.

Some of our competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in the restaurant industry better than we can. Other competitors are local restaurants that in some cases have a loyal guest base and strong brand recognition within a particular market. As our competitors expand their operations or as new competitors enter the industry, we expect competition to intensify. Should our competitors increase their spending on advertising and promotions, we could experience a loss of customer traffic to our competitors. Also, if our advertising and promotions become less effective than those of our competitors, we could experience a material adverse effect on our results of operations. We and our franchisees also compete with other restaurant chains and other retail businesses for quality site locations, management and hourly employees.

Additionally, we face the risk that new or existing competitors will copy our business model, menu options, presentation or ambiance, among other things. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and our competitors may react more efficiently and effectively to those conditions. In addition, many of our competitors offer lower-priced menu options or meal packages, or have loyalty programs. Several of our competitors compete by offering a broader range of menu items, including items that are specifically identified as low in carbohydrates or healthier, a strategy that we do not currently pursue. This competition in the variety of products offered and the price of products may adversely impact our sales.

Moreover, we may also compete with companies outside the fast casual and quick service and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of several major grocery store chains, including those targeted at customers who want healthier food, as well as from convenience stores and other dining outlets. These competitors may have, among other things, a more diverse menu, lower operating costs, better locations, better facilities, better management, more effective marketing and more efficient operations than we have.

If we are unable to compete effectively, it could decrease our traffic, sales and profit margins, which could adversely affect our business, financial condition and results of operations.

Our expansion into new markets may present increased risks.

Some of our new restaurants are planned for markets where there may be limited or no market recognition of our brand. Those markets may have competitive conditions, consumer tastes and discretionary spending patterns that are different from those in our existing markets, and we may encounter well-established competitors with substantially greater financial resources than us. As a result, those new restaurants may be less successful than restaurants in our existing markets.

We may need to build brand awareness in that market through greater investments in advertising and promotional activity than we originally planned, which could negatively impact the profitability of our operations in new markets. Our franchisees may find it more difficult in new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. In addition, we may have difficulty finding reliable suppliers or distributors or ones that can provide us, either initially or over time, with adequate supplies of ingredients meeting our quality standards. Restaurants opened in new markets may also have lower average restaurant sales than restaurants opened in existing markets. Sales at restaurants opened in new markets may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall profitability. Additionally, new markets may have higher rents and labor rates as compared to existing markets that negatively affect unit economics.

Food safety, food-borne illness and other health concerns may have an adverse effect on our business.

Food safety is a top priority, and we dedicate substantial resources to ensure that our customers enjoy safe, quality food products. However, food-borne illnesses, such as salmonella, E. coli or hepatitis A, and food safety issues have occurred in the food industry in the past, and could occur in the future. Any report or publicity linking our restaurants to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect our brand and reputation as well as our revenue and profits. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry or fast casual restaurants generally and adversely impact our restaurants.

In addition, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple restaurants would be affected rather than a single restaurant. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees and our franchisees and their employees will identify all products that may be spoiled and should not be used in our restaurants. In addition, our industry has long been subject to the threat of food tampering by suppliers, employees, and others such as the addition of foreign objects in the food that we sell. Reports, whether or not true, of injuries caused by food tampering have in the past severely injured the reputations and brands of restaurant chains in the quick service restaurant segment and could affect us in the future as well. If our customers become ill from food-borne illnesses, we could also be forced to temporarily close some restaurants.

Furthermore, any instances of food contamination, whether or not at our restaurants, could subject our restaurants or our suppliers to a food recall pursuant to the Food and Drug Administration Food Safety Modernization Act.

Furthermore, the United States and other countries have also experienced, and may experience in the future, outbreaks of viruses, such as H1N1, avian influenza, various other forms of influenza, enterovirus, SARS and Ebola. To the extent that a virus is transmitted by human-to-human contact, our employees or customers could become infected or could choose, or be advised, to avoid gathering in public places and avoid eating in restaurant establishments such as our restaurants, which could adversely affect our business.

Interruptions in the supply of product to company-owned restaurants and franchisees could adversely affect our revenue.

In order to maintain quality-control standards and consistency among restaurants, we require through our franchise agreements that our franchisees obtain food and other supplies from preferred suppliers approved in advance. In this regard, we and our franchisees depend on a group of suppliers for food ingredients, beverages, paper goods, and distribution, including, but not limited to, four primary chicken suppliers, Sygma for distribution, The Coca-Cola Company, and other suppliers. In 2017 , we and our franchisees purchased products from approximately 120 approved suppliers, with approximately 10 of such suppliers providing 85% , based on dollar volume, of all products purchased. We look to approve multiple suppliers for most products, and require any single sourced supplier, such as The Coca-Cola Company, to have contingency plans in place to ensure continuity of supply. In addition, we believe that, if necessary, we could obtain readily available alternative sources of supply for each product that we currently source through a single supplier. To facilitate the efficiency of our franchisees' supply chain, we have historically entered into several preferred-supplier arrangements for particular food or beverage items. In addition, our restaurants bear risks associated with the timeliness, solvency, reputation, labor relations, freight costs, price of raw materials, and compliance with health and safety standards of each supplier, including, but not limited to, risks associated with contamination to food and beverage products. We have little control over such suppliers. Disruptions in these relationships may reduce franchisee sales and, in turn, our royalty income. Overall difficulty of suppliers meeting restaurant product demand, interruptions in the supply chain, obstacles or delays in the process of renegotiating or renewing agreements with preferred suppliers, financial difficulties experienced by suppliers, or the deficiency, lack, or poor quality of alternative suppliers could adversely impact franchisee sales and our company-owned restaurant sales, which, in turn, would reduce our royalty income and revenue and could materially and adversely affect our business and operating results.

You should not rely on past increases in our domestic same store sales or our AUV as an indication of our future results of operations because they may fluctuate significantly.

A number of factors have historically affected, and will continue to affect, our domestic same store sales and AUV, including, among other factors:

- competition;
- consumer trends and confidence;
- our ability to execute our business strategy effectively;
- unusually strong initial sales performance by new restaurants; and
- regional and national macroeconomic conditions.

The level of domestic same store sales is a critical factor affecting our ability to generate profits because the profit margin on domestic same store sales is generally higher than the profit margin on new restaurant sales. Domestic same store sales reflects the change in year-over-year sales for the domestic same store base. We define the domestic same store base to include those restaurants open for at least 52 full weeks.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to certain factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings;
- profitability of our restaurants, especially in new markets;
- changes in interest rates;
- increases and decreases in average weekly sales and domestic same store sales, including due to the timing and popularity of sporting and other events;

- macroeconomic conditions, both nationally and locally;
- changes in consumer preferences and competitive conditions;
- impairment of long-lived assets and any loss on restaurant closures;
- increases in infrastructure costs; and
- fluctuations in commodity prices.

As a result, our quarterly and annual operating results and domestic same store sales may fluctuate significantly as a result of the factors discussed above. Accordingly, results for any one fiscal quarter are not necessarily indicative of results to be expected for any other fiscal quarter or for any fiscal year and domestic same store sales for any particular future period may decrease. The planned increase in the number of our restaurants may make our future results unpredictable and, if we fail to manage such growth effectively, our business, financial condition and results of operations may be materially adversely affected. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

If we or our franchisees or licensees are unable to protect our customers' credit card data and other personal information, we or our franchisees could be exposed to data loss, litigation, and liability, and our reputation could be significantly harmed.

Privacy protection is increasingly demanding, and the use of electronic payment methods and collection of other personal information expose us and our franchisees to increased risk of privacy and/or security breaches as well as other risks. The majority of our restaurant sales are by credit or debit cards. In connection with credit or debit card transactions in-restaurant, we and our franchisees collect and transmit confidential information by way of private retail networks. Additionally, we collect and store personal information from individuals, including our customers, franchisees, and employees.

Our franchisees have experienced security breaches in which credit and debit card information could have been stolen and we and our franchisees may experience security breaches in which credit and debit card information is stolen in the future. Although we use private networks to transmit confidential information, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit and debit card sales, and our security measures and those of technology vendors may not effectively prohibit others from obtaining improper access to this information. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time, which may cause a breach to go undetected for an extensive period of time. Advances in computer and software capabilities, new tools, and other developments may increase the risk of such a breach. Further, the systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment at risk, are determined and controlled by the payment card industry, not by us, through enforcement of compliance with the Payment Card Industry - Data Security Standards, or PCI DSS. We and our franchisees must abide by the PCI DSS, as modified from time to time, in order to accept electronic payment transactions. Furthermore, the payment card industry is requiring vendors to become compatible with smart chip technology for payment cards, or EMV-Compliant, or else bear full responsibility for certain fraud losses, referred to as the EMV Liability Shift, which could adversely affect our business. To become EMV-Compliant, merchants must utilize EMV-Compliant payment card terminals at the point of sale, or POS, and also obtain a variety of certifications. At present, our company-owned and franchised restaurants are not required to upgrade their POS systems to include such EMV-Compliant payment card terminals and as a result, may be at increased risk for breaches, which could adversely affect our business and operating results. In addition, our franchisees, contractors, or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. If a person is able to circumvent our security measures or those of third parties, he or she could destroy or steal valuable information or disrupt our operations. We may become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses, which could have an adverse impact on our financial condition, results of operations and cash flows. Further, adverse publicity resulting from these allegations could significantly harm our reputation and may have a material adverse effect on us and our restaurants. While we currently maintain a cyber liability insurance policy, our cyber liability coverage may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management's attention.

Our business activities subject us to litigation risk that could affect us adversely by subjecting us to significant money damages and other remedies or by increasing our litigation expense.

We and our franchisees are, from time to time, the subject of, or potentially the subject of, complaints or litigation, including customer claims, personal-injury claims, environmental claims, employee allegations of improper termination and discrimination, claims related to violations of the Americans with Disabilities Act of 1990, or the ADA, religious freedom, the Fair Labor Standards Act, or the FLSA, other employment-related laws, the Occupational Safety and Health Act, or OSHA, the Employee Retirement Income Security Act of 1974, as amended, or ERISA, advertising laws and intellectual property claims. Each of these claims may increase costs and limit the funds available to make royalty payments and reduce the execution of new franchise agreements. Litigation against a franchisee or its affiliates by third parties or regulatory agencies, whether in the ordinary course of business or otherwise, may also include claims against us by virtue of our relationship with the defendant-franchisee, whether under vicarious liability, joint employer, or other theories. In addition to decreasing the ability of a defendant-franchisee to make royalty payments in the event of such claims and diverting our management and financial resources, adverse publicity resulting from such allegations may materially and adversely affect us and our brand, regardless of whether these allegations are valid or whether we are liable. Our international operations may be subject to additional risks related to litigation, including difficulties in enforcement of contractual obligations governed by foreign law due to differing interpretations of rights and obligations, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems, and reduced or diminished protection of intellectual property. A substantial judgment against us or one of our subsidiaries could materially and adversely affect our business and operating results.

We could also become subject to class action or other lawsuits related to the above-described or different matters in the future. Regardless, however, of whether any claim brought against us in the future is valid or whether we are liable, such a claim would be expensive to defend and may divert time, money and other valuable resources away from our operations and, thereby, hurt our business.

We and our franchisees are also subject to state and local “dram shop” statutes, which may subject us and our franchisees to uninsured liabilities. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Because a plaintiff may seek punitive damages, which may not be fully covered by insurance, this type of action could have an adverse impact on our financial condition and results of operations. A judgment in such an action significantly in excess of insurance coverage could adversely affect our financial condition, results of operations or cash flows. Further, adverse publicity resulting from any such allegations may adversely affect us and our restaurants taken as a whole.

Although we maintain what we believe to be adequate levels of insurance, insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could adversely affect our business and results of operations.

We may engage in litigation with our franchisees.

Although we believe we generally enjoy a positive working relationship with the vast majority of our franchisees, the nature of the franchisor-franchisee relationship may give rise to litigation with our franchisees. In the ordinary course of business, we are the subject of complaints or litigation from franchisees, usually related to alleged breaches of contract or wrongful termination under the franchise arrangements. We may also engage in future litigation with franchisees to enforce the terms of our franchise agreements and compliance with our brand standards as determined necessary to protect our brand, the consistency of our products and the customer experience. We may also engage in future litigation with franchisees to enforce our contractual indemnification rights if we are brought into a matter involving a third party due to the franchisee’s alleged acts or omissions. In addition, we may be subject to claims by our franchisees relating to our Franchise Disclosure Document, or FDD, including claims based on financial information contained in our FDD. Engaging in such litigation may be costly and time-consuming and may distract management and materially adversely affect our relationships with franchisees and our ability to attract new franchisees. Any negative outcome of these or any other claims could materially adversely affect our results of operations as well as our ability to expand our franchise system and may damage our reputation and brand. Furthermore, existing and future franchise-related legislation could subject us to additional litigation risk in the event we terminate or fail to renew a franchise relationship.

Changes to the current law with respect to the assignment of liabilities in the franchise business model could adversely impact our profitability.

One of the legal foundations fundamental to the franchise business model has been that, absent special circumstances, a franchisor is generally not responsible for the acts, omissions or liabilities of its franchisees, whether with respect to the franchisees’ employees or otherwise. However, in an August 27, 2015, National Labor Relations Board, or NLRB, decision, *Browning-Ferris Industries of California, Inc.* , the NLRB adopted a broader and looser standard for determining joint employer status. Under the NLRB’s new joint employer standard, a putative joint employer is no longer required to exercise "direct and immediate" control over workers' terms and conditions of employment. "Indirect" or even "reserved" control is now potentially sufficient to establish a joint employment relationship. Although *Browning-Ferris Industries of California, Inc.* was not a case involving a franchise relationship, and while the NLRB's opinion explicitly stated it was not addressing the franchise industry, it is unclear how the NLRB will apply the expanded joint employer definition adopted in *Browning-Ferris Industries of California, Inc.* to franchise relationships overall or to particular franchise relationships sharing certain characteristics or controls. If the NLRB's new position is applied broadly to franchise relationships, it could significantly change the way we and other franchisors conduct business and adversely impact our profitability. For example, the General Counsel of the NLRB continues to prosecute complaints in Regional Offices across the country (first issued in December 2014) charging that McDonald's and its franchisees are joint employers and seeking to hold McDonald's liable for unfair labor practices allegedly committed by its franchisees. The position taken by the NLRB General Counsel has set in motion what are expected to be lengthy hearings before the NLRB. The decision of the NLRB is subject to subsequent federal court litigation and is not expected to be resolved until a final decision in the federal appellate courts. A determination, due to the new standard adopted in *Browning-Ferris Industries of California, Inc.* , that we are a "joint employer" with our franchisees or that our franchisees are part of one unified system with joint and several liability under the National Labor Relations Act, statutes administered by the Equal Employment Opportunity Commission, Occupational Safety and Health Administration, or OSHA, regulations and other areas of labor and employment law could subject us and/or our franchisees to liability for the unfair labor practices, wage-and-hour law violations, employment discrimination law violations, OSHA regulation violations and other employment-related liabilities of one or more franchisees. Furthermore, this change in the law could create an increased likelihood that certain franchised networks will be required to employ unionized labor, which could impact franchisors like us through, among other things, increased labor costs, increased menu prices to offset labor costs and difficulty in attracting new franchisees. In addition, if these changes are expanded outside of the employment context, we could be held liable for other claims against franchisees such as personal injury claims by customers at franchised restaurants. Therefore, any regulatory action or court decisions expanding the vicarious liability of franchisors could impact our ability or desire to grow our franchised base and have a material adverse effect on our results of operations.

Macroeconomic conditions could adversely affect our ability to increase sales at existing restaurants or open new restaurants.

Recessionary economic cycles, higher fuel and other energy costs, lower housing values, low consumer confidence, inflation, increases in commodity prices, higher interest rates, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect discretionary consumer spending could adversely affect our revenue and profit margins and make opening new restaurants more difficult. Our customers may have lower disposable income and reduce the frequency with which they dine out during economic downturns. This could result in fewer transactions and reduced transaction size or limitations on the prices we can charge for our menu items, any of which could reduce our sales and profit margins. Also, businesses in the shopping vicinity in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could, in turn, further negatively affect customer traffic at our restaurants. All of these factors could have a material adverse impact on our results of operations and growth strategy.

In addition, negative effects on our and our franchisees' existing and potential landlords due to the inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect our business and results of operations. If our or our franchisees' landlords are unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease obligations owed to us or our franchisees. In addition, if our and our franchisees' landlords are unable to obtain sufficient credit to continue to properly manage their retail sites, we may experience a drop in the level of quality of such retail centers. The development of new restaurants may also be adversely affected by negative economic factors affecting developers and potential landlords. Developers and/or landlords may try to delay or cancel recent development projects (as well as renovations of existing projects) due to instability in the credit markets and declines in consumer spending, which could reduce the number of appropriate locations available that we would consider for our new restaurants. Furthermore, other tenants at the properties in which our restaurants are located may delay their openings, fail to open or cease operations. Decreases in total tenant occupancy in the properties in which our restaurants are located may affect customer traffic at our restaurants.

If any of the foregoing affect any of our or our franchisees' landlords, developers and/or surrounding tenants, our business and results of operations may be adversely affected. To the extent our restaurants are part of a larger retail project or tourist destination, customer traffic could be negatively impacted by economic factors affecting surrounding tenants.

Because many of our restaurants are concentrated in local or regional areas, we are susceptible to economic and other trends and developments, including adverse weather conditions, in these areas.

As of December 30, 2017 , 60% of our 1,027 domestic restaurants were spread across Texas (31%), California (23%) and Illinois (6%). Given our geographic concentrations, negative publicity regarding any of our restaurants in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, or natural or man-made disasters and more stringent state and local laws and regulations. In particular, adverse weather conditions, such as regional winter storms, floods, severe thunderstorms, earthquakes, tornadoes and hurricanes, could negatively impact our results of operations.

We and our franchisees rely on computer systems to process transactions and manage our business, and a disruption or a failure of such systems or technology could harm our ability to effectively manage our business.

Network and information technology systems are integral to our business. We utilize various computer systems, including our franchisee reporting system, by which our franchisees report their weekly sales and pay their corresponding royalty fees and required advertising fund contributions. When sales are reported by a franchisee, a withdrawal for the authorized amount is initiated from the franchisee’s bank on a set date each week based on gross sales during the week ended the prior Saturday. This system is critical to our ability to accurately track sales and compute royalties and advertising fund contributions due from our franchisees. We also rely on computer systems and network infrastructure across other areas of our operations, including marketing programs, employee engagement, management of our supply chain and POS processing in our restaurants.

Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities.

Despite the implementation of protective measures, our systems are subject to damage and/or interruption as a result of power outages, computer and network failures, computer viruses and other disruptive software, security breaches, catastrophic events, and improper usage by employees. Such events could result in a material disruption in operations, a need for a costly repair, upgrade or replacement of systems, or a decrease in, or in the collection of, royalties and advertising fund contributions paid to us by our franchisees. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability which could materially affect our results of operations.

It is also critical that we establish and maintain certain licensing and software agreements for the software we use in our day-to-day operations. A failure to procure or maintain these licenses could have a material adverse effect on our business operations.

Failure to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations could lead to the loss of liquor and food service licenses and, thereby, harm our business.

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure of our restaurants to obtain and maintain these licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that a restaurant’s conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect our existing restaurants and delay or result in our decision to cancel the opening of new restaurants, which would adversely affect our results of operations.

Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license or permit to sell alcoholic beverages on-premises and to provide service for extended hours and on Sundays. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our restaurants, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, and storage and dispensing of alcoholic beverages. Any future failure to comply with these regulations and obtain or retain liquor licenses could adversely affect our results of operations.

Our current insurance and the insurance of our franchisees may not provide adequate levels of coverage against claims.

We currently maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could have a material adverse effect on our business and results of operations.

Our franchise agreements require each franchisee to maintain certain insurance types and levels. Certain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material and adverse effect on a franchisee's ability to satisfy obligations under the franchise agreement, including the ability to make royalty payments.

We also require franchisees to maintain general liability insurance coverage to protect against the risk of product liability and other risks and demand strict franchisee compliance with health and safety regulations. However, franchisees may receive or produce defective food or beverage products, which may materially adversely affect our brand's goodwill and our business. Further, a franchisee's failure to comply with health and safety regulations, including requirements relating to food quality or preparation, could subject them, and possibly us, to litigation. Any litigation, including the imposition of fines or damage awards, could adversely affect the ability of a franchisee to make royalty payments or could generate negative publicity or otherwise adversely affect us.

Our business is subject to various laws and regulations and changes in such laws and regulations, and/or failure to comply with existing or future laws and regulations, could adversely affect us.

We are subject to state franchise registration requirements, the rules and regulations of the Federal Trade Commission, or FTC, various state laws regulating the offer and sale of franchises in the United States through the provision of franchise disclosure documents containing certain mandatory disclosures, various state laws regulating the franchise relationship, and certain rules and requirements regulating franchising arrangements in foreign countries. Although we believe that our franchise disclosure documents, together with any applicable state-specific versions or supplements, and franchising procedures that we use comply in all material respects with both the FTC guidelines and all applicable state laws regulating franchising in those states in which we offer and grant new franchise arrangements, noncompliance could reduce anticipated royalty income, which in turn could materially and adversely affect our business and operating results.

We and our franchisees are subject to various existing United States federal, state, local, and foreign laws affecting the operation of the restaurants, including various health, sanitation, fire, and safety standards. Franchisees may in the future become subject to regulation (or further regulation) seeking to tax or regulate high-fat foods, to limit the serving size of beverages containing sugar, to ban the use of certain packaging materials, or to require the display of detailed nutrition information. Each of these regulations would be costly to comply with and/or could result in reduced demand for our products.

There is also a potential for increased regulation of certain food establishments in the United States, where compliance with a Hazard Analysis and Critical Control Points, or the HACCP, approach may now be required. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP Systems, and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the Food Safety Modernization Act, or the FSMA, signed into law in January 2011, granted the U.S. Food and Drug Administration, the FDA, new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are specifically exempted from or not directly implicated by some of these new requirements, we anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise impact our business.

We and our franchisees may also have a substantial number of hourly employees who are required to be paid pursuant to applicable federal or state minimum wage laws. The federal minimum wage has been $7.25 per hour since July 24, 2009. From time to time, various federal and state legislators have proposed changes to the minimum wage requirements, especially for fast-food workers. Certain regions such as Los Angeles, Seattle, San Francisco and New York, have approved phased-in increases that eventually will take their minimum wage to as high as $15 an hour. These and any future similar increases in other regions in states in which our restaurants operate may negatively affect our and our franchisees profit margins as we and our franchisees may be unable to increase our menu prices in order to pass future increased labor costs on to our guests. Also, reduced margins of franchisees could make it more difficult to sell franchises. If menu prices are increased by us and our franchisees to cover increased labor costs, the higher prices could adversely affect transactions which could lower sales and thereby reduce our margins and the royalties that we receive from franchisees.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state, local and foreign authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. In addition, certain laws, including the ADA, could require us or our franchisees to expend significant funds to make modifications to our restaurants if we failed to comply with applicable standards. Compliance with all of these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Damage to our reputation or lack of acceptance of our brand in existing or new markets could negatively impact our business, financial condition and results of operations.

We believe we have built our reputation on the high quality and bold, distinctive and craveable flavors of our food, value and service, and we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer affinity for our brand could significantly reduce its value and damage our business. For example, our brand value could suffer and our business could be adversely affected if customers perceive a reduction in the quality of our food, value or service or otherwise believe we have failed to deliver a consistently positive experience. We may also be adversely affected by customers' experiences with third-party delivery from our restaurants.

We may be adversely affected by news reports or other negative publicity, regardless of their accuracy, regarding food quality issues, public health concerns, illness, safety, injury, security breaches of confidential guest or employee information, employee related claims relating to alleged employment discrimination, wage and hour violation, labor standards or health care and benefit issues or government or industry findings concerning our restaurants, restaurants operated by other foodservice providers, or others across the food industry supply chain. The risks associated with such negative publicity cannot be eliminated or completely mitigated and may materially affect our business.

Also, there has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning us may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, brand or business. The harm may be immediate without affording us an opportunity for redress or correction.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be eliminated or completely mitigated and may materially adversely affect our reputation, business, financial condition and results of operations.

Opening new restaurants in existing markets may negatively affect sales at existing restaurants.

We intend to continue opening new franchised restaurants in our existing markets as a core part of our growth strategy. Expansion in existing markets may be affected by local economic and market conditions. Further, the customer target area of our restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which our restaurants already exist could adversely affect the sales of these existing restaurants. We and our franchisees may selectively open new restaurants in and around areas of existing restaurants. Sales cannibalization between restaurants may become significant in the future as we continue to expand our operations and could affect sales growth, which could, in turn, materially adversely affect our business, financial condition or results of operations.

Our expansion into international markets exposes us to a number of risks that may differ in each country where we have franchise restaurants.

As of December 30, 2017 , we have franchised restaurants in Mexico, Singapore, Indonesia, the Philippines, the United Arab Emirates, Malaysia, Saudi Arabia, and Colombia and plan to continue to grow internationally. However, international operations are in early stages. Expansion in international markets may be affected by local economic and market conditions. Therefore, as we expand internationally, our franchisees may not experience the operating margins we expect, and our results of operations and growth may be materially and adversely affected. Our financial condition and results of operations may be adversely affected if the global markets in which our franchised restaurants compete are affected by changes in political, economic or other factors. These factors, over which neither our franchisees nor we have control, may include:

- recessionary or expansive trends in international markets;
- changing labor conditions and difficulties in staffing and managing our foreign operations;
- increases in the taxes we pay and other changes in applicable tax laws;

- legal and regulatory changes, and the burdens and costs of our compliance with a variety of foreign laws;
- changes in inflation rates;
- changes in exchange rates and the imposition of restrictions on currency conversion or the transfer of funds;
- difficulty in protecting our brand, reputation and intellectual property;
- difficulty in collecting our royalties and longer payment cycles;
- expropriation of private enterprises;
- anti-American sentiment in certain locations and the identification of the Wingstop brand as an American brand;
- political and economic instability; and
- other external factors.

Our success depends in part upon effective advertising and marketing campaigns, which may not be successful, and franchisee support of such advertising and marketing campaigns.

We believe the Wingstop brand is critical to our business and expend resources in our marketing efforts using a variety of media. We expect to continue to conduct brand awareness programs and customer initiatives to attract and retain customers. Should our advertising and promotions not be effective, our business, financial condition and results of operations could be materially adversely affected.

The support of our franchisees is critical for the success of the advertising and marketing campaigns we seek to undertake, and the successful execution of these campaigns will depend on our ability to maintain alignment with our franchisees. Our franchisees are currently required to contribute two percent of their gross sales to a common ad fund to support the development of new products, brand development and national marketing programs. Our current form of franchise agreement also requires franchisees to spend at least one percent of gross sales directly on local advertising, but the majority of our franchisees are not subject to such requirement. Franchisees also may be required to contribute approximately two percent of gross sales to a cooperative advertising association when a franchisee and at least one other restaurant operator have opened restaurants in the same DMA (the cooperative advertising contribution is credited toward the 1% minimum spend). While we maintain control over advertising and marketing materials and can mandate certain strategic initiatives pursuant to our franchise agreements, we need the active support of our franchisees if the implementation of these initiatives is to be successful. If our initiatives are not successful, resulting in expenses incurred without the benefit of higher revenue, our business, financial condition and results of operations could be materially adversely effected.

We are vulnerable to changes in consumer preferences and regulation of consumer eating habits that could harm our business, financial condition, results of operations and cash flow.

Consumer preferences often change rapidly and without warning, moving from one trend to another among many product or retail concepts. We depend on trends regarding away-from-home or take-out dining. Consumer preferences towards away-from-home and take-out dining or certain food products might shift as a result of, among other things, health concerns or dietary trends related to cholesterol, carbohydrate, fat and salt content of certain food items, including chicken wings, in favor of foods that are perceived as more healthy. Our menu is currently comprised primarily of chicken wings and a change in consumer preferences away from these offerings would have a material adverse effect on our business. Negative publicity over the health aspects of the food items we sell may adversely affect demand for our menu items and could result in lower traffic, sales and results of operations. Our continued success will depend in part on our ability to anticipate, identify and respond to changing consumer preferences.

Regulations and consumer eating habits may continue to change as a result of new information and attitudes regarding diet and health. These changes may include regulations that impact the ingredients and nutritional content of our menu items. The federal government, as well as a number of states, counties and cities, have enacted menu labeling laws requiring multi-unit restaurant operators to make certain nutritional information available to customers or have enacted legislation prohibiting the sales of certain types of ingredients in restaurants. For example, the PPACA establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus, which must be implemented upon the promulgation of regulations by the FDA. California, a state in which 23% of our domestic restaurants are located, has also enacted menu labeling laws. Altering our recipes in response to such legislation could increase our costs and/or change the flavor profile of our menu offerings which could have an adverse impact on our results of operations. Additionally, if our customers perceive our menu items to contain unhealthy caloric, sugar, sodium, or fat content, our results of operations could be adversely affected. The success of our restaurant operations depends, in part, upon our ability to effectively respond to changes in consumer health and disclosure regulations and to adapt our menu offerings to fit the dietary needs and eating habits of our customers without sacrificing flavor. To the extent we are unable to respond with appropriate changes to our menu offerings, it could materially affect customer traffic and our results of operations. Furthermore, a change in our menu could result in a decrease in customer traffic.

We depend upon our executive officers and management team and may not be able to retain or replace these individuals or recruit additional personnel, which could harm our business.

We believe that we have already benefited and expect to benefit substantially in the future from the leadership and experience of our executive officers and management team. The loss of the services of any of these individuals could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace such personnel on a timely basis. In addition, any such departure could be viewed in a negative light by investors and analysts, which could cause our common stock price to decline. As our business expands, our future success will depend greatly on our continued ability to attract and retain highly-skilled and qualified executive-level personnel. Our inability to attract and retain qualified executive officers in the future could impair our growth and harm our business.

The number of new franchised Wingstop restaurants that actually open in the future may differ materially from the number of signed commitments from potential existing and new franchisees.

The number of new franchised Wingstop restaurants that actually open in the future may differ materially from the number of signed commitments from potential existing and new franchisees. Historically, a portion of our commitments sold have not ultimately opened as new franchised Wingstop restaurants. On an annual basis for the past four years approximately 10% - 20% of the total domestic commitments sold have been terminated. Based on our limited history of international restaurant openings, we believe the termination rate of international commitments is likely to approximate the historic termination rate of domestic commitments. The historic conversion rate of signed commitments to new franchised Wingstop locations may not be indicative of the conversion rates we will experience in the future and the total number of new franchised Wingstop restaurants actually opened in the future may differ materially from the number of signed commitments disclosed at any point in time.

Our stated sales to investment ratio and target unlevered cash-on-cash return may not be indicative of future results of any new franchised restaurant.

Initial investment levels, AUV levels, restaurant-level operating costs and restaurant-level operating profit of any new restaurant may differ from average levels experienced by franchisees in prior periods due to a variety of factors, and these differences may be material. Accordingly, our stated sales to investment ratio and average unlevered cash-on-cash return may not be indicative of future results of any new franchised restaurant. In addition, estimated initial investment costs and restaurant-level operating costs are based on information self-reported by our franchisees and have not been verified by us. Furthermore, performance of new restaurants is impacted by a range of risks and uncertainties beyond our or our franchisees' control, including those described by other risk factors described in this report.

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position, and, therefore, we devote resources to the protection of our trademarks and proprietary rights. The protective actions that we take, however, may not be enough to prevent unauthorized use or imitation by others, which could harm our image, brand or competitive position. If we commence litigation to enforce our rights, we will incur significant legal fees.

We cannot assure you that third parties will not claim infringement by us of their proprietary rights in the future. Any such claim, whether or not it has merit, could be time-consuming and distracting for executive management, result in costly litigation, cause changes to existing menu items or delays in introducing new menu items, or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations and financial condition.

We are subject to the U.S. Foreign Corrupt Practices Act and other anti-corruption laws or trade control laws, as well as other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, financial condition and results of operations.

We and our franchisees are subject to anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws that apply in countries where we do business. The FCPA, U.K. Bribery Act and these other laws generally prohibit us, our food service personnel, our franchisees, their food service personnel and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential FCPA violations, and we participate in joint ventures and relationships with third parties whose actions could potentially subject us to liability under the FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We and our franchisees are also subject to other laws and regulations governing our international operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Asset Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations and transfer pricing regulations, or collectively, Trade Control laws.

However, we and our franchisees may not be completely effective in ensuring our compliance with all applicable anticorruption laws, including the FCPA, Trade Control Laws or other legal requirements. If we or our franchisees are not in compliance with the FCPA and other anti-corruption laws or Trade Control laws, we or our franchisees may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the FCPA other anti-corruption laws or Trade Control laws by United States or foreign authorities could also have an adverse impact on our reputation, business, financial condition and results of operations.

Our existing senior secured credit facility contains financial covenants, negative covenants and other restrictions and failure to comply with these requirements could cause the related indebtedness to become due and payable and limit our ability to incur additional debt.

The lenders' obligation to extend credit under our existing senior secured credit facility depends upon our maintaining certain financial covenants. In particular, our senior secured credit facility requires us to maintain a consolidated leverage ratio and a consolidated fixed charge coverage ratio. Failure to maintain these ratios could result in an acceleration of outstanding amounts under the term loan and revolver and restrict us from borrowing amounts under the revolving credit facility to fund our future liquidity requirements. In addition, our senior secured credit facility contains certain negative covenants, which, among other things, limit our ability to:

- incur additional indebtedness;
- pay dividends and make other restrictive payments beyond specified levels;
- create or permit liens;
- dispose of certain assets;
- make certain investments;
- engage in certain transactions with affiliates; and
- consolidate, merge or transfer all or substantially all of our assets.

Our ability to make scheduled payments and comply with financial covenants will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to other financial, business and other factors beyond our control described herein.

If we fail to maintain effective internal controls over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner.

As a public reporting company we are subject to the rules and regulations established from time to time by the SEC and Nasdaq. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal controls over financial reporting. Reporting obligations as a public company have placed, and may continue to place, a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal controls over financial reporting by the time our second annual report is filed with the SEC and thereafter, which will require us to document and make significant changes to our internal controls over financial reporting. Likewise, our independent registered public accounting firm will be required to provide an attestation report on the effectiveness of our internal control over financial reporting.

If our senior management is unable to conclude that we have effective internal control over financial reporting, or to certify the effectiveness of such controls, or if our independent registered public accounting firm cannot render an unqualified opinion on management's assessment and the effectiveness of our internal control over financial reporting, when required, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public and investor confidence, which could have a material adverse effect on our business and our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could cause a decline in our common stock price and adversely affect our results of operations and financial condition.

An impairment in the carrying value of our goodwill or other intangible assets could adversely affect our financial condition and consolidated results of operations.

We review goodwill for impairment annually, or whenever circumstances change in a way which could indicate that impairment may have occurred, and record an impairment loss whenever we determine impairment factors are present. Significant impairment charges could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Ownership of our Common Stock

Our stock price may be volatile or may decline regardless of our operating performance.

The market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including those described under "Risks Related to Our Business and Our Industry" and the following:

- potential fluctuation in our annual or quarterly operating results;
- changes in capital market conditions that could affect valuations of restaurant companies in general or our goodwill in particular or other adverse economic conditions;
- changes in financial estimates by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- downgrades by any securities analysts who follow our common stock;
- future sales of our common stock by our officers, directors and significant stockholders;
- global economic, legal and regulatory factors unrelated to our performance;
- investors' perceptions of our prospects;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures or capital commitments; and
- investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives.

In addition, the stock markets, and in particular Nasdaq, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many food service companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 15,000,000 shares of undesignated preferred stock;
- require that, any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only upon the request of a majority of our board of directors;

- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms; and
- prohibit cumulative voting in the election of directors.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management, and may discourage, delay or prevent a transaction involving a change of control of our company that is in the best interest of our minority stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if stockholders view them as discouraging future takeover attempts. In addition, we have opted out of the Delaware General Corporation Law ("DGCL") Section 203, relating to business combinations with interested stockholders, but our amended and restated certificate of incorporation provides that engaging in any of a broad range of business combinations with any "interested" stockholder (any stockholder with 15% or more of our capital stock) for a period of three years following the date on which the stockholder became an "interested" stockholder is prohibited, subject to certain exceptions.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers and employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated certificate of incorporation. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and employees even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs which could have a material adverse effect on our business, financial condition or results of operations.

We may not continue to declare cash dividends in the future.

In August 2017, we announced that our board of directors authorized a regular dividend program under which we intend to pay quarterly dividends on our common stock, subject to quarterly declarations by our Board of Directors. In addition, in July 2016 and February 2018, we paid special cash dividends of $2.90 per share and $3.17 per share, respectively, in connection with refinancings of our credit facilities. Any future declarations of dividends, as well as the amount and timing of such dividends, are subject to capital availability and the discretion of our Board of Directors, which must evaluate, among other things, whether cash dividends are in the best interest of our stockholders and are in compliance with all applicable laws and any agreements containing provisions that limit our ability to declare and pay cash dividends.

Our ability to pay dividends in the future will depend upon, among other factors, our cash balances and potential future capital requirements, debt service requirements, earnings, financial condition, the general economic and regulatory climate and other factors beyond our control that our Board of Directors may deem relevant. Our dividend payments may change from time to time, and we may not continue to declare dividends in the future. A reduction in or elimination of our dividend payments could have a negative effect on our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Due to lower square footage requirements, our restaurants can be located in a variety of locations. They tend to be located primarily in shopping centers, as in-line and end-cap locations. Our restaurants tend to occupy between 1,300 and 2,900 square feet (average 1,700 square feet) of leased retail space. As of December 30, 2017 , we and our franchisees operated 1,133 restaurants in 42 states and 9 countries.

The chart below shows the locations of our restaurants as of December 30, 2017 :

State	Franchise restaurants	Company-owned restaurants	Total restaurants
Alabama	4	—	4
Alaska	1	—	1
Arizona	30	—	30
Arkansas	8	—	8
California	241	—	241
Colorado	23	—	23
Connecticut	3	—	3
Florida	49	—	49
Georgia	29	—	29
Hawaii	2	—	2
Idaho	3	—	3
Illinois	61	—	61
Indiana	8	—	8
Iowa	2	—	2
Kansas	4	—	4
Kentucky	4	—	4
Louisiana	21	—	21
Maryland	17	—	17
Massachusetts	4	—	4
Michigan	6	—	6
Minnesota	2	—	2
Mississippi	10	—	10
Missouri	16	—	16
Nebraska	2	—	2
Nevada	9	5	14
New Jersey	10	—	10
New Mexico	8	—	8
New York	9	—	9
North Carolina	9	—	9
Ohio	20	—	20
Oklahoma	13	—	13
Oregon	3	—	3
Pennsylvania	6	—	6
South Carolina	8	—	8
South Dakota	1	—	1
Tennessee	15	—	15
Texas	299	18	317
Utah	4	—	4
Virginia	17	—	17
Washington	12	—	12
West Virginia	1	—	1
Wisconsin	10	—	10
Domestic Total	**1,004**	**23**	**1,027**

International			
Colombia	2	—	2
Indonesia	21	—	21
Malaysia	2	—	2
Mexico	60	—	60
Philippines	11	—	11
Saudi Arabia	1	—	1
Singapore	5	—	5
United Arab Emirates	4	—	4
International Total	**106**	**—**	**106**
Worldwide Total	**1,110**	**23**	**1,133**

We are obligated under non-cancelable leases for our company-owned restaurants and our corporate office. Lease terms for company-owned restaurants are generally between five to ten years of original term with an additional five to ten years of tenant option period, often contain rent escalation provisions, and generally require us to pay a proportionate share of real estate taxes, insurance and common area and other operating costs in addition to base or fixed rent.

Item 3. Legal Proceedings

From time to time we may be involved in claims and legal actions that arise in the ordinary course of business. To our knowledge, there are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On June 17, 2015 , we completed our initial public offering of our common stock at a public offering price of $19.00 per share. Our common stock has traded on the NASDAQ Global Market under the symbol “WING” since it began trading on June 12, 2015 . Before then, there was no public market for our common stock.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock:

	Common Stock Price Range	
	High	Low
Fiscal Year 2016		
First quarter (December 27, 2015 - March 26, 2016)	$ 26.42	$ 20.73
Second quarter (March 27, 2016 - June 25, 2016)	$ 28.67	$ 22.01
Third quarter (June 26, 2016 - September 24, 2016)	$ 33.10	$ 25.24
Fourth quarter (September 25, 2016 - December 31, 2016)	$ 33.42	$ 26.06
Fiscal Year 2017		
First quarter (January 1, 2017 - April 1, 2017)	$ 30.04	$ 24.74
Second quarter (April 2, 2017 - July 1, 2017)	$ 33.25	$ 27.29
Third quarter (July 2, 2017 - September 30, 2016)	$ 35.91	$ 29.54
Fourth quarter (October 1, 2017 - December 30, 2017)	$ 43.25	$ 31.53

As of February 23, 2018 , there were 4 shareholders of record of our common stock. This number excludes stockholders whose stock is held in nominee or street name by brokers.

Dividends

In August 2017, we announced that our board of directors authorized a regular dividend program under which we intend to pay quarterly dividends on our common stock, subject to quarterly declarations by our board of directors. A dividend of $0.07 was announced in both the third and fourth quarters of 2017, which was paid on September 18, 2017 and December 19, 2017 , respectively. On February 22, 2018 , our Board of Directors declared a quarterly dividend of $0.07 per common share payable on March 23, 2018 to shareholders of record at the close of business on March 9, 2018 .

In addition, in July 2016 and February 2018, we paid special cash dividends of $2.90 per share and $3.17 per share, respectively, in connection with refinancings of our credit facilities.

Any future declarations of dividends, as well as the amount and timing of such dividends, is subject to capital availability and the discretion of our board of directors, which must evaluate, among other things, whether cash dividends are in the best interest of our stockholders and are in compliance with all applicable laws and any agreements containing provisions that limit our ability to declare and pay cash dividends, including the restrictions in our senior secured credit facility. For additional information on the restrictions in our senior secured credit facility limiting our ability to pay dividends, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.”

Recent Sales of Unregistered Securities

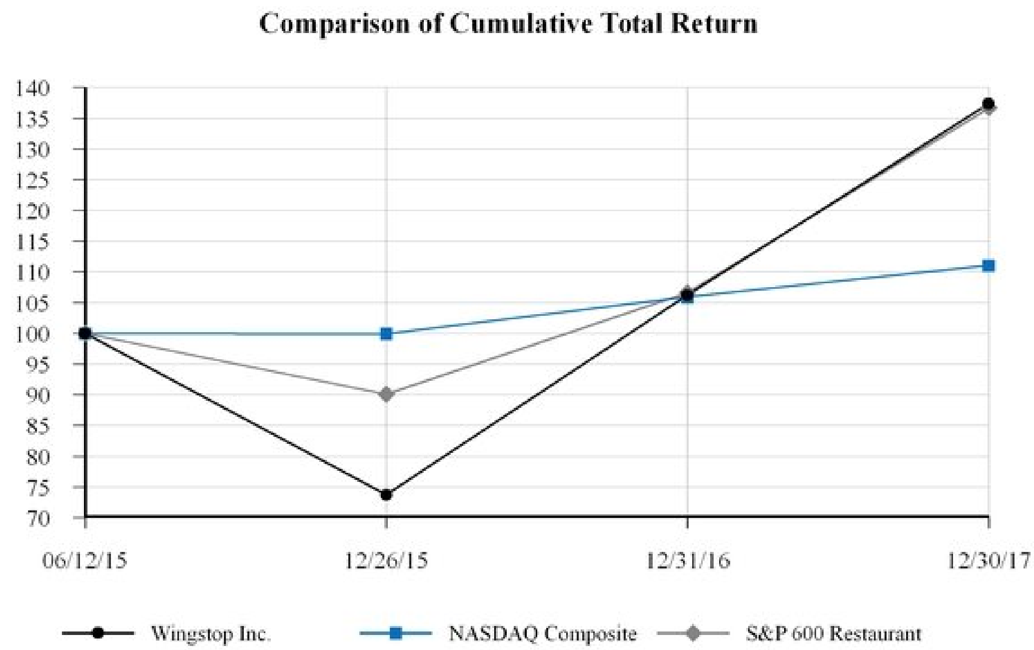
There were no sales of unregistered securities during the fiscal year ended December 30, 2017 that were not previously reported on a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the fourth quarter of the fiscal year ended December 30, 2017.

Performance Graph

The following performance graph compares the dollar change in the cumulative shareholder return on our common stock with the cumulative total returns of the NASDAQ Composite Index and the S&P 600 Restaurants Index. This graph assumes a $100 investment in our common stock on June 12, 2015 (the date when our common stock first started trading) and in each of the foregoing indices on June 12, 2015 , and assumes the reinvestment of dividends, if any. The indices are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our common stock, and historical stock price performance should not be relied upon as an indication of future stock price performance. This graph is furnished and not "filed" with the Securities and Exchange Commission and it is not "soliciting material", and should not be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.



Item 6. Selected Historical Consolidated Financial and Other Data

The selected historical consolidated financial and other data presented below, with the exception of our key performance indicators, including restaurant counts, same store sales, AUVs, system-wide sales and Adjusted EBITDA, has been derived from the audited consolidated financial statements of Wingstop.

Wingstop utilizes a 52- or 53-week fiscal year that ends on the last Saturday of the calendar year. The fiscal years ended December 30, 2017 , December 26, 2015 , December 27, 2014 , and December 28, 2013 included 52 weeks, and the fiscal year ended on December 31, 2016 included 53 weeks. The first three quarters of our fiscal year consist of 13 weeks and our fourth quarter consists of 13 weeks for 52-week fiscal years and 14 weeks for 53-week fiscal years.

The consolidated financial data and other financial data presented below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited consolidated financial statements and the related notes thereto included elsewhere in this report. Our historical consolidated financial data may not be indicative of our future performance.

	Year ended				
(in thousands)	**December 30, 2017**	**December 31, 2016**	**December 26, 2015**	**December 27, 2014**	**December 28, 2013**
Consolidated Statements of Income Data:					
Revenue:					
Royalty revenue and franchise fees	$ 68,483	$ 57,071	$ 46,688	$ 38,032	$ 30,202
Company-owned restaurant sales	37,069	34,288	31,281	29,417	28,797
Total revenue	105,552	91,359	77,969	67,449	58,999
Cost and expenses:					
Cost of sales	28,745	25,308	22,219	20,473	22,176
Selling, general and administrative	37,151	33,840	33,350	26,006	18,913
Depreciation and amortization	3,376	3,008	2,682	2,904	3,030
Total costs and expenses	69,272	62,156	58,251	49,383	44,119
Operating income	36,280	29,203	19,718	18,066	14,880
Interest expense, net	5,131	4,396	3,477	3,684	2,863
Other expense (income), net	—	254	396	84	(6)
Income before income taxes	31,149	24,553	15,845	14,298	12,023
Income tax expense	3,845	9,119	5,739	5,312	4,493
Net income	$ 27,304	$ 15,434	$ 10,106	$ 8,986	$ 7,530
Consolidated Statement of Cash Flows Data:					
Net cash provided by operating activities	$ 27,049	$ 23,329	$ 13,860	$ 15,119	$ 11,481
Net cash provided by (used in) investing activities	(6,484)	(2,056)	(1,915)	(363)	(2,144)
Net cash provided by (used in) financing activities	(20,252)	(28,213)	(10,978)	(8,206)	(10,417)
Net increase (decrease) in cash and cash equivalents	$ 313	$ (6,940)	$ 967	$ 6,550	$ (1,080)

(in thousands)	Year ended December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
Per Share data:					
Earnings per share					
Basic	$ 0.94	$ 0.54	$ 0.37	$ 0.35	$ 0.30
Diluted	$ 0.93	$ 0.53	$ 0.36	$ 0.34	$ 0.29
Weighted average shares outstanding					
Basic	29,025	28,637	27,497	25,846	25.168
Diluted	29,424	28,983	27,816	26,204	25.648
Dividends per share	$ 0.14	$ 2.90	$ 1.83	$ —	$ —
Selected Other Data (1):					
Number of system-wide restaurants open at end of period	1,133	998	845	712	614
Number of domestic company restaurants open at end of period	23	21	19	19	24
Number of domestic franchise restaurants open at end of period	1,004	901	767	652	569
Number of international franchise restaurants open at end of period	106	76	59	41	21
System-wide sales (2)	$ 1,087,434	$ 972,270	$ 821,248	$ 678.771	$ 549.904
Domestic restaurant AUV (3)	$ 1,100	$ 1,113	$ 1,126	$ 1,073	$ 974
Company-owned domestic AUV (3)	$ 1,712	$ 1,729	$ 1,646	$ 1,504	$ 1,206
Number of restaurants opened (during period)	147	159	142	102	74
Number of restaurants closed (during period)	12	6	9	4	6
Company-owned restaurants refranchised (during period)	(2)	—	—	5	—
EBITDA (4)	$ 39,656	$ 31,957	$ 22,004	$ 20,886	$ 17,916
Adjusted EBITDA (4)	$ 41,507	$ 35,576	$ 28,879	$ 24,378	$ 19,495
Same Store Sales Data (5):					
System-wide domestic same store sales base (end of period)	904	779	667	589	527
System-wide domestic same store sales growth	2.6%	3.2%	7.9%	12.5%	9.9%

(in thousands)	As of December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 4,063	$ 3,750	$ 10,690	$ 9,723	$ 3,173
Working capital	(2,971)	(5,616)	7,050	276	(3,308)
Total assets	119,836	111,800	120,650	118,827	113,451
Total debt	133,750	151,250	95,500	93,721	102,500
Total shareholders' deficit	(48,252)	(74,628)	(9,673)	(8,994)	(20,262)

(1) See the definitions of key performance indicators under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Indicators."

(2) The percentage of system-wide sales attributable to company-owned restaurants was 3.4% , 3.5% , 3.8% , 4.3% , and 5.2% for the fiscal years ended December 30, 2017 , December 31, 2016 , December 26, 2015 , December 27, 2014 , and December 28, 2013 , respectively. The remainder was generated by franchised restaurants, as reported by our franchisees.

(3) Domestic AUV and company-owned domestic AUV are calculated using the 52-week trailing period.

(4) EBITDA and Adjusted EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. EBITDA and Adjusted EBITDA are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity.

We define "EBITDA" as net income before interest expense, net, income tax expense, and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA further adjusted for management fees and expense reimbursement, a management agreement termination fee, transaction costs, gains and losses on the disposal of assets, and stock-based compensation expense. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations period over period and would ordinarily add back non-cash expenses such as depreciation and amortization, as well as items that are not part of normal day-to-day operations of our business.

Management uses EBITDA and Adjusted EBITDA:

- as a measurement of operating performance because they assist us in comparing the operating performance of our restaurants on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies;
- to evaluate our capacity to fund capital expenditures and expand our business; and
- to calculate incentive compensation payments for our employees, including assessing performance under our annual incentive compensation plan and determining the vesting of performance shares.

By providing these non-GAAP financial measures, together with a reconciliation to the most comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. Items excluded from these non-GAAP measures are significant components in understanding and assessing financial performance. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants such as fixed charge coverage, lease adjusted leverage and debt incurrence. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation, or as an alternative to or a substitute for, net income or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- such measures do not reflect our tax expense or the cash requirements to pay our taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and such measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using these non-GAAP measures only supplementally. As noted in the table below, Adjusted EBITDA includes adjustments for transaction costs, gains and losses on disposal of assets and stock-based compensation, among other items. It is reasonable to expect that these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our restaurants and complicate comparisons of our internal operating results and operating results of other restaurant companies over time. In addition, Adjusted EBITDA includes adjustments for other items that we do not expect to regularly record, such as transaction costs, management fees and expense reimbursement. Each of the normal recurring adjustments and other adjustments described in this paragraph and in the reconciliation table below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following table reconciles EBITDA and Adjusted EBITDA to the most directly comparable U.S. GAAP financial performance measure, which is net income:

	Year ended				
(in thousands)	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
Net income	$ 27,304	$ 15,434	$ 10,106	$ 8,986	$ 7,530
Interest expense, net	5,131	4,396	3,477	3,684	2,863
Income tax expense	3,845	9,119	5,739	5,312	4,493
Depreciation and amortization	3,376	3,008	2,682	2,904	3,030
EBITDA	$ 39,656	$ 31,957	$ 22,004	$ 20,886	$ 17,916
Adjustments:					
Management fees (a)	—	—	237	449	436
Management agreement termination fee (b)	—	—	3,297	—	—
Transaction costs (c)	—	2,388	2,186	2,169	395
Gains and losses on disposal of assets (d)	—	—	—	(86)	—
Stock-based compensation expense (e)	1,851	1,231	1,155	960	748
Adjusted EBITDA	$ 41,507	$ 35,576	$ 28,879	$ 24,378	$ 19,495

(a) Includes management fees and other out-of-pocket expenses paid to Roark Capital Management, LLC.
(b) Represents a one-time fee of $3.3 million that was paid in consideration for the termination of our management agreement with Roark Capital Management during the second quarter of 2015 in connection with our initial public offering. There are no further obligations related to management fees paid to Roark Capital Management.
(c) Represents costs and expenses related to refinancings of our credit agreement and our public offerings; all transaction costs are included in SG&A with the exception of $215,000 during the year ended December 31, 2016 and $172,000 during the year ended December 26, 2015 that is included in Other expense, net.
(d) Represents non-cash gains and losses resulting from disposal of company-owned restaurants and associated goodwill write-off.
(e) Includes non-cash, stock-based compensation.

(5) We define the domestic same store base to include those domestic restaurants open for at least 52 full weeks. Change in domestic same store sales reflects the change in year-over-year sales for the domestic same store base.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 6 - Selected Consolidated Financial Data" and with the audited consolidated financial statements and the related notes included in "Item 8 - Financial Statements and Supplementary Data." The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. See Part I "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions associated with those statements. These forward-looking statements are subject to risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Item 1A - Risk Factors." Our actual results may differ materially from those contained in or implied by any forward-looking statements.

We operate on a 52 or 53 week fiscal year ending on the last Saturday of each calendar year. Our fiscal quarters are comprised of 13 weeks, with the exception of the fourth quarter of a 53 week year, which contains 14 weeks. Fiscal year 2017 contains 52 weeks, and fiscal year 2016 contains 53 weeks.

Overview

Wingstop is a high-growth franchisor and operator of restaurants that offers cooked-to-order, hand-sauced and tossed chicken wings.

We believe we pioneered the concept of wings as a "center-of-the-plate" item for all of our meal occasions. While other concepts include wings as add-on menu items or focus on wings in a bar or sports-centric setting, we are focused on wings, fries and sides, which generate approximately 92% of our system-wide sales.

We offer 11 bold, distinctive and craveable flavors on our bone-in and boneless chicken wings paired with hand-cut, seasoned fries and sides made fresh daily. Our menu is highly-customizable for different dining occasions, and we believe it delivers a compelling value proposition for groups, families, and individuals. We have broad and growing consumer appeal anchored by a sought after core demographic of 18-34 year old Millennials, which we believe is a loyal consumer group that dines at fast casual restaurants more frequently.

Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world and has demonstrated strong, consistent growth. As of December 30, 2017 , we had a total 1,133 restaurants across 42 states and nine countries in our system. Our restaurant base is 98% franchised, with 1,110 franchised locations (including 106 international locations) and 23 company-owned restaurants.

We plan to grow our business by opening new franchised restaurants and increasing our same store sales, while leveraging our franchise model to create shareholder value.

- Domestic restaurant count has increased 73% since the end of 2013. We believe our domestic unit potential is approximately 2,500 units. Further, we believe there is opportunity to expand our brand internationally to become a top 10 global brand.
- We had 135 net unit openings in 2017 and ended the year with a domestic development pipeline of 450 total commitments to open new franchised restaurants with approximately 80% of our current domestic commitments from existing franchisees.
- Domestic same store sales have increased for 14 consecutive years beginning in 2004, which includes 5-year cumulative domestic same stores sales growth of 36.1% since fiscal 2013 . We anticipate further increases in domestic same store sales through improvements in brand awareness from national advertising, flavor innovation, increases in digital expansion, and the rollout of delivery.
- We believe our asset-light, highly-franchised business model generates strong operating margins and requires low capital expenditures, creating shareholder value through strong and consistent free cash flow and capital-efficient growth.

Highlights for Fiscal Year 2017 :

- System-wide restaurant count increased 13.5% over the prior year to a total of 1,133 worldwide locations, driven by 135 net unit openings;
- Domestic same store sales increased 2.6% over the prior year;
- Company-owned restaurant same store sales increased 1.6% over the prior year;
- System-wide sales increased 11.8% over the prior year to $1.1 billion ;
- Total revenue increased 15.5% over the prior year to $105.6 million ;
- Net income increased 76.9% over the prior year to $27.3 million ; and
- Adjusted EBITDA increased 16.7% over the prior year to $41.5 million ;

In August 2017, we initiated a regular quarterly dividend program, and paid a quarterly dividend of $0.07 per share of common stock in each of September and December 2017.

Key Performance Indicators

Key measures that we use in evaluating our restaurants and assessing our business include the following:

Number of restaurants. Management reviews the number of new restaurants, the number of closed restaurants, and the number of acquisitions and divestitures of restaurants to assess net new restaurant growth, system-wide sales, royalty and franchise fee revenue and company-owned restaurant sales.

	Year Ended	
	December 30, 2017	**December 31, 2016**
Domestic Franchised Activity:		
Beginning of period	901	767
Openings	115	137
Closures	(10)	(3)
Acquired by Company	(2)	—
Restaurants end of period	1,004	901
Domestic Company-Owned Activity:		
Beginning of period	21	19
Openings	—	2
Closures	—	—
Acquired from franchisees	2	—
Restaurants end of period	23	21
Total Domestic Restaurants	**1,027**	**922**
International Franchised Activity:		
Beginning of period	76	59
Openings	32	20
Closures	(2)	(3)
Restaurants end of period	106	76
Total System-wide Restaurants	**1,133**	**998**

System-wide sales. System-wide sales represents net sales for all of our company-owned and franchised restaurants. This measure allows management to better assess changes in our royalty revenue, our overall store performance, the health of our brand and the strength of our market position relative to competitors. Our system-wide sales growth is driven by new restaurant openings as well as increases in same store sales.

Average unit volume (AUV). AUV consists of the average annual sales of all restaurants that have been open for a trailing 52-week period or longer. AUV allows management to assess our company-owned and franchised restaurant economics. Our AUV growth is primarily driven by increases in same store sales and is also influenced by opening new restaurants.

Same store sales. Same store sales reflects the change in year-over-year sales for the same store base. We define the same store base to include those restaurants open for at least 52 full weeks. This measure highlights the performance of existing restaurants, while excluding the impact of new restaurant openings and closures. We review same store sales for company-owned restaurants as well as system-wide restaurants. Same store sales growth is driven by increases in transactions and average transaction size. Transaction size increases are driven by price increases or favorable mix shift from either an increase in items purchased or shifts into higher priced items.

Adjusted EBITDA. We define Adjusted EBITDA as net income before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for management fees and expense reimbursement, transaction costs, gains and losses on the disposal of assets, and stock-based compensation expense. Adjusted EBITDA may not be comparable to other similarly titled captions of other companies due to differences in methods of calculation. For a reconciliation of Adjusted EBITDA to net income and a further discussion of how we utilize this non-GAAP financial measure, see "Selected Historical Consolidated Financial and Other Data."

The following table sets forth our key performance indicators for the fiscal years ended December 30, 2017 , December 31, 2016 and December 26, 2015 (in thousands, except unit data):

	Year ended		
	December 30, 2017	**December 31, 2016**	**December 26, 2015**
Number of system-wide restaurants at period end	1,133	998	845
System-wide sales	$ 1,087,434	$ 972,270	$ 821,248
Domestic restaurant AUV	$ 1,100	$ 1,113	$ 1,126
System-wide domestic same store sales growth	2.6%	3.2%	7.9%
Company-owned domestic same store sales growth	1.6%	5.4%	9.4%
Total revenue	$ 105,552	$ 91,359	$ 77,969
Net income	$ 27,304	$ 15,434	$ 10,106
Adjusted EBITDA	$ 41,507	$ 35,576	$ 28,879

Key Financial Definitions

Revenue. Our revenue is comprised of the collection of development fees, franchise fees, royalties, other fees associated with franchise and development rights, and sales of wings and other food and beverage products by our company-owned restaurants. The following is a brief description of our components of revenue:

Royalty revenue and franchise fees includes revenue we earn from our franchise business segment in the form of royalties, fees, and vendor contributions and rebates. Royalties consist primarily of fees earned from franchisees equal to a percentage of gross franchise restaurant sales of all restaurants developed under the applicable franchise agreement. The majority of our franchise agreements require our franchise owners to pay us a royalty of 5.0% of their gross sales net of discounts. Development agreements entered into on or after July 1, 2014 require our franchisees to pay us a royalty of 6.0% of their gross sales net of discounts. Franchise fees consist of initial development and franchise fees related to new restaurants, master license fees for international territories, fees to renew or extend franchise agreements and transfer fees. Initial franchise fees are recognized upon the opening of a restaurant and are impacted by the number of new franchise store openings in a specified period. Development and territory fees related to an individual restaurant are recognized upon the opening of each individual restaurant. Royalty revenue and franchise fees also include revenue from vendor contributions and rebates that are attributable to system-wide volume purchases and are received for general marketing and other purposes.

Sales from company-owned restaurants are generated through sales of food and beverage at company-owned restaurants.

Cost of sales. Cost of sales consists of direct food, beverage, paper goods, packaging, labor costs and other restaurant operating costs such as rent, restaurant maintenance costs and property insurance, at our company-owned restaurants. Additionally, a portion of vendor rebates attributable to system-wide volumes purchases are netted against cost of sales. The components of cost of sales are partially variable in nature and fluctuate with changes in sales volume, product mix, menu pricing and commodity costs.

Selling, general and administrative. SG&A costs consist of wages, benefits, franchise development expenses, other compensation, travel, marketing, accounting fees, legal fees, sponsor management fees and other expenses related to the infrastructure required to support our franchise and company-owned stores.

Depreciation and amortization. Depreciation and amortization includes the depreciation of fixed assets, capitalized leasehold improvements and amortization of intangible assets.

Interest expense. Interest expense includes expenses related to borrowings under our senior secured credit facility and amortization of deferred debt issuance costs.

Income tax expense. Income tax expense includes current and deferred federal tax expenses as well as state and local income taxes.

Results of Operations

The following table presents the Consolidated Statement of Operations for the past three fiscal years expressed as a percentage of revenue.

	Fiscal Year		
	December 30, 2017	**December 31, 2016**	**December 26, 2015**
Revenue:			
Royalty revenue and franchise fees	64.9%	62.5%	59.9%
Company-owned restaurant sales	35.1%	37.5%	40.1%
Total revenue	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of sales [1]	77.5%	73.8%	71.0%
Selling, general and administrative	35.2%	37.0%	42.8%
Depreciation and amortization	3.2%	3.3%	3.4%
Total costs and expenses	65.6%	68.0%	74.7%
Operating income	34.4%	32.0%	25.3%
Interest expense, net	4.9%	4.8%	4.5%
Other (income) expense, net	—%	0.3%	0.5%
Income before income taxes	29.5%	26.9%	20.3%
Income tax expense	3.6%	10.0%	7.4%
Net income	25.9%	16.9%	13.0%

[1] As a percentage of company-owned restaurant sales. Exclusive of depreciation and amortization, shown separately. The percentages reflected have been subject to rounding adjustments. Accordingly, figures expressed as percentages when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Year ended December 30, 2017 compared to year ended December 31, 2016

The following table sets forth information comparing the components of net income in fiscal year 2017 and fiscal year 2016 (in thousands):

	Year ended		Increase / (Decrease)	
	December 30, 2017	**December 31, 2016**	**$**	**%**
Revenue:				
Royalty revenue and franchise fees	$ 68,483	$ 57,071	$ 11,412	20.0 %
Company-owned restaurant sales	37,069	34,288	2,781	8.1 %
Total revenue	105,552	91,359	14,193	15.5 %
Costs and expenses:				
Cost of sales [(1)]	28,745	25,308	3,437	13.6 %
Selling, general and administrative	37,151	33,840	3,311	9.8 %
Depreciation and amortization	3,376	3,008	368	12.2 %
Total costs and expenses	69,272	62,156	7,116	11.4 %
Operating income	36,280	29,203	7,077	24.2 %
Interest expense, net	5,131	4,396	735	16.7 %
Other expense, net	—	254	(254)	(100.0)%
Income before income tax expense	31,149	24,553	6,596	26.9 %
Income tax expense	3,845	9,119	(5,274)	(57.8)%
Net income	$ 27,304	$ 15,434	$ 11,870	76.9 %

(1) Exclusive of depreciation and amortization, shown separately.

Total revenue. Total revenue was $105.6 million in fiscal year 2017 , an increase of $14.2 million , or 15.5% , compared to $91.4 million in the prior fiscal year.

Royalty revenue and franchise fees. Royalty revenue and franchise fees were $68.5 million in fiscal year 2017 , an increase of $11.4 million , or 20.0% , compared to $57.1 million in the prior fiscal year. Royalty revenue increased by $6.4 million primarily due to 147 franchise restaurant openings and domestic same store sales growth of 2.6% , partially offset by revenue of approximately $0.9 million related to the 53rd week in 2016 . Other revenue increased $4.8 million primarily due to an increase in vendor rebates, including a one-time payment, based on system-wide volumes purchased in the prior year, received in conjunction with a new vendor agreement that was executed during the first quarter of 2017. The funding from this agreement was primarily used to support our national advertising campaign.

Company-owned restaurant sales. Company-owned restaurant sales were $37.1 million in fiscal year 2017 , an increase of $2.8 million , or 8.1% , compared to $34.3 million in the prior fiscal year. The increase is the result of the acquisition of two company-owned restaurants from a franchisee in the third quarter of 2017 and company-owned domestic same store sales growth of 1.6% , driven by an increase in transactions, partially offset by revenue of approximately $0.6 million related to the 53rd week in 2016 .

Cost of sales. Cost of sales was $28.7 million in fiscal year 2017 , an increase of $3.4 million , or 13.6% , compared to $25.3 million in the prior fiscal year. Cost of sales as a percentage of company-owned restaurant sales was 77.5% in fiscal year 2017 compared to 73.8% in the prior fiscal year.

The table below presents the major components of Cost of sales (in thousands):

	Year ended December 30, 2017	As a % of company-owned restaurant sales	Year ended December 31, 2016	As a % of company-owned restaurant sales
Cost of sales:				
Food, beverage and packaging costs	14,810	40.0 %	12,827	37.4 %
Labor costs	8,878	23.9 %	7,680	22.4 %
Other restaurant operating expenses	6,004	16.2 %	5,760	16.8 %
Vendor rebates	(947)	(2.6)%	(959)	(2.8)%
Total cost of sales	$ 28,745	77.5 %	$ 25,308	73.8 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 40.0% in fiscal year 2017 compared to 37.4% in the prior fiscal year. The increase is primarily due to an 18.0% increase in commodities rates for bone-in chicken wings compared to the prior fiscal year.

Labor costs as a percentage of company-owned restaurant sales were 23.9% in fiscal year 2017 compared to 22.4% in the prior fiscal year. The increase as a percentage of company-owned restaurant sales is primarily due to investments in roster sizes and staffing we made in the third and fourth quarters of fiscal year 2016 to support the continued sales growth in our company-owned restaurants.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 16.2% in fiscal year 2017 compared to 16.8% in the prior fiscal year. The decrease as a percentage of company-owned restaurant sales is primarily due to a decrease in repairs and maintenance expenses, as well as a decrease in pre-opening expenses associated with the opening of two company-owned restaurants in the prior fiscal year.

Selling, general and administrative. SG&A expense was $37.2 million in fiscal year 2017 , an increase of $3.3 million , or 9.8% , compared to $33.8 million in the prior fiscal year. The increase in SG&A expense is primarily due to an increase in voluntary contributions of $3.2 million made to the advertising fund, including a one-time payment made in conjunction with a new vendor agreement executed during the first quarter of 2017, which provided support for the Company's national advertising campaign. SG&A expense also increased due to planned headcount additions and an increase in stock based compensation and travel expenses. These increases are partially offset by a decrease in nonrecurring expenses of $2.2 million related to the refinancing of our credit agreement and expenses related to the special dividend, which occurred in the prior fiscal year, as well as a decrease in incremental costs of approximately $0.6 million related to the 53rd week in 2016.

Depreciation and amortization. Depreciation and amortization was $3.4 million in fiscal year 2017 , an increase of $0.4 million , or 12.2% , compared to $3.0 million in the prior fiscal year. The increase in depreciation is primarily due to the capital expenditures during the period, including the acquisition of two company-owned locations.

Interest expense, net. Interest expense was $5.1 million in fiscal year 2017 , an increase of $0.7 million , or 16.7% , from $4.4 million in the prior fiscal year. The increase is primarily due to an increase in the principal amount of indebtedness we had outstanding and the applicable interest rate related to the refinancing of our credit agreement in June 2016.

Income tax expense. Income tax expense was $3.8 million in fiscal year 2017 , yielding an effective tax rate of 12.3% , compared to an effective tax rate of 37.1% in the prior fiscal year. The income tax provision for fiscal year 2017 included a benefit of approximately $5.5 million , primarily associated with the revaluation of deferred tax liabilities as a result of the enactment of the Tax Cuts and Jobs Act on December 22, 2017, which reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018. Additionally, tax benefits of $2.5 million were realized in fiscal year 2017 resulting from the recognition of excess tax benefits from share-based compensation in income tax expense rather than paid-in capital as a result of the adoption of a new accounting standard.

Segment results. The following table sets forth our revenue and operating profit for each of our segments for the period presented (in thousands):

	Year Ended		Increase / (Decrease)	
	December 30, 2017	**December 31, 2016**	**$**	**%**
Revenue:				
Franchise segment	$ 68,483	$ 57,071	$ 11,412	20.0 %
Company segment	37,069	34,288	2,781	8.1 %
Total segment revenue	$ 105,552	$ 91,359	$ 14,193	15.5 %
Segment Profit:				
Franchise segment	$ 31,637	$ 25,850	$ 5,787	22.4 %
Company segment	4,643	5,526	(883)	(16.0)%
Total segment profit	$ 36,280	$ 31,376	$ 4,904	15.6 %

Franchise segment. Franchise segment revenue was $68.5 million in fiscal year 2017 , an increase of $11.4 million , or 20.0% , from $57.1 million in the prior fiscal year. Royalty revenue increased by $6.4 million primarily due to 147 franchise restaurant openings and domestic same store sales growth of 2.6% during the current fiscal year, partially offset by revenue of approximately $0.9 million related to the 53rd week in 2016. Other revenue increased $4.8 million primarily due to an increase in vendor rebates, including a one-time payment, based on system-wide volumes purchased in the prior year, received under a new vendor agreement executed during the first quarter of 2017.

Franchise segment profit was $31.6 million in fiscal year 2017 , an increase of $5.8 million , or 22.4% , from $25.9 million in the prior fiscal year primarily due to the growth in revenue.

Company Segment. Company-owned restaurant sales were $37.1 million in fiscal year 2017 , an increase of $2.8 million , or 8.1% , compared to $34.3 million in the prior fiscal year. The increase is primarily due to the opening of two company-owned restaurants during the third quarter of the current fiscal year and company-owned domestic same store sales growth of 1.6% , driven by an increase in transactions, partially offset by revenue of approximately $0.6 million related to the 53rd week in 2016.

Company segment profit was $4.6 million in fiscal year 2017 , a decrease of $0.9 million , or 16.0% , compared to $5.5 million in the prior fiscal year. The decrease is primarily due to an 18.0% increase in commodities rates for bone-in chicken wings and investments in roster sizes and staffing to support the continued sales growth in our company-owned restaurants. The decrease is partially offset by the company-owned comparable same store sales increase of 1.6% , as well as a decrease in repairs and maintenance and pre-opening expenses.

Year ended December 31, 2016 compared to year ended December 26, 2015

The following table sets forth information comparing the components of net income in fiscal year 2016 and fiscal year 2015 (in thousands):

	Year ended		Increase / (Decrease)	
	December 31, 2016	**December 26, 2015**	**$**	**%**
Revenue:				
Royalty revenue and franchise fees	$ 57,071	$ 46,688	$ 10,383	22.2 %
Company-owned restaurant sales	34,288	31,281	3,007	9.6 %
Total revenue	91,359	77,969	13,390	17.2 %
Costs and expenses:				
Cost of sales (1)	25,308	22,219	3,089	13.9 %
Selling, general and administrative	33,840	33,350	490	1.5 %
Depreciation and amortization	3,008	2,682	326	12.2 %
Total costs and expenses	62,156	58,251	3,905	6.7 %
Operating income	29,203	19,718	9,485	48.1 %
Interest expense, net	4,396	3,477	919	26.4 %
Other expense, net	254	396	(142)	(35.9)%
Income before income tax expense	24,553	15,845	8,708	55.0 %
Income tax expense	9,119	5,739	3,380	58.9 %
Net income	$ 15,434	$ 10,106	$ 5,328	52.7 %

(1) Exclusive of depreciation and amortization, shown separately.

Total revenue. Total revenue was $91.4 million in fiscal year 2016 , an increase of $13.4 million , or 17.2% , compared to $78.0 million in the prior fiscal year.

Royalty revenue and franchise fees. Royalty revenue and franchise fees were $57.1 million in fiscal year 2016 , an increase of $10.4 million , or 22.2% , compared to $46.7 million in the prior fiscal year. Royalty revenue increased by $8.3 million primarily due to 157 franchise restaurant openings, domestic same store sales growth of 3.2% , and approximately $0.9 million of additional revenue from the 53rd week. Franchise fees increased by $0.7 million driven by 15 additional franchise restaurant openings in 2016 compared to restaurant openings in 2015 . Other revenue increased $1.4 million primarily due to contributions received for our franchisee convention. The convention is held every 18 months, and there was no convention in 2015.

Company-owned restaurant sales. Company-owned restaurant sales were $34.3 million in fiscal year 2016 , an increase of $3.0 million , or 9.6% , compared to $31.3 million in the prior fiscal year. The increase is the result of company-owned domestic same store sales growth of 5.4% , resulting primarily from an increase in transaction counts, the addition of two company-owned restaurants during 2016, and approximately $0.6 million of additional revenue from the 53rd week.

Cost of sales. Cost of sales was $25.3 million in fiscal year 2016 , an increase of $3.1 million , or 13.9% , compared to $22.2 million in the prior fiscal year. Cost of sales as a percentage of company-owned restaurant sales was 73.8% in fiscal year 2016 compared to 71.0% in the prior fiscal year.

The table below presents the major components of cost of sales (in thousands):

	Year ended December 31, 2016	As a % of company-owned restaurant sales	Year ended December 26, 2015	As a % of company-owned restaurant sales
Cost of sales:				
Food, beverage and packaging costs	12,827	37.4 %	11,504	36.8 %
Labor costs	7,680	22.4 %	6,493	20.8 %
Other restaurant operating expenses	5,760	16.8 %	4,956	15.8 %
Vendor rebates	(959)	(2.8)%	(734)	(2.3)%
Total cost of sales	$ 25,308	73.8 %	$ 22,219	71.0 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 37.4% in fiscal year 2016 compared to 36.8% in the prior fiscal year. The increase is primarily due to a 4.4% increase in commodities rates for bone-in chicken wings compared to the prior fiscal year and an increase in the average size of chicken wings.

Labor costs as a percentage of company-owned restaurant sales were 22.4% in fiscal year 2016 compared to 20.8% in the prior fiscal year. The increase as a percentage of company-owned restaurant sales is primarily due to investments in roster sizes and staffing to support the continued sales growth in our company-owned restaurants, as well as the ramp up of two company-owned restaurants that opened during 2016 as they achieve normal efficiency.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 16.8% in fiscal year 2016 compared to 15.8% in the prior fiscal year. The increase as a percentage of company-owned restaurant sales is primarily due to increased rent expense and pre-opening expenses associated with the opening of two company-owned restaurants.

Vendor rebates increased $0.2 million primarily due to contributions received from vendors during the second quarter of 2016 related to the franchisee convention.

Selling, general and administrative. SG&A expense was $33.8 million in fiscal year 2016 , an increase of $0.5 million , or 1.5% , compared to $33.4 million in the prior fiscal year. The increase is primarily due to $1.1 million in expenses related to the franchisee convention, incremental costs of $0.6 million related to the 53rd week, and increases related to headcount additions and other recurring costs associated with being a public company incurred in the current fiscal year. These increases in SG&A are offset by a one-time fee of $3.3 million , paid in consideration for the termination of our management agreement with Roark Capital Management in the prior fiscal year.

Depreciation and amortization. Depreciation and amortization was $3.0 million in fiscal year 2016 , an increase of $0.3 million , or 12.2% , compared to $2.7 million in the prior fiscal year. The increase in depreciation is primarily due to capital expenditures during the period.

Interest expense, net. Interest expense was $4.4 million in fiscal year 2016 , an increase of $0.9 million , or 26.4% , from $3.5 million in the prior fiscal year. The increase is primarily due to an increase in the principal amount of indebtedness we had outstanding and the applicable interest rate related to the refinancing of our credit agreement in June 2016.

Income tax expense. Income tax expense was $9.1 million in fiscal year 2016 , yielding an effective tax rate of 37.1% , compared to an effective tax rate of 36.2% in the prior fiscal year. The increase in the rate is largely driven by an increase in the effective state rate, driven by a shift in state apportionment rates and total revenue mix.

Segment results. The following table sets forth our revenue and operating profit for each of our segments for the period presented (in thousands):

	Year Ended		Increase / (Decrease)	
	December 31, 2016	December 26, 2015	$	%
Revenue:				
Franchise segment	$ 57,071	$ 46,688	$ 10,383	22.2 %
Company segment	34,288	31,281	3,007	9.6 %
Total segment revenue	$ 91,359	$ 77,969	$ 13,390	17.2 %
Segment Profit:				
Franchise segment	$ 25,850	$ 19,701	$ 6,149	31.2 %
Company segment	5,526	5,737	(211)	(3.7)%
Total segment profit	$ 31,376	$ 25,438	$ 5,938	23.3 %

Franchise segment. Franchise segment revenue was $57.1 million in fiscal year 2016 , an increase of $10.4 million , or 22.2% , from $46.7 million in the prior fiscal year. The increase is primarily due to 157 franchise restaurant openings and domestic same store sales growth of 3.2% during the current fiscal year, as well as approximately $0.9 million of additional revenue from the 53rd week.

Franchise segment profit was $25.9 million in fiscal year 2016 , an increase of $6.1 million , or 31.2% , from $19.7 million in the prior fiscal year due to the growth in revenue offset by increases in SG&A, including $1.1 million in expenses related to the franchisee convention, expenses related to the 53rd week, and increases related to headcount additions and other recurring costs associated with being a public company incurred in the current fiscal year.

Company Segment. Company-owned restaurant sales were $34.3 million in fiscal year 2016 , an increase of $3.0 million , or 9.6% , compared to $31.3 million in the prior fiscal year. The increase is primarily due to company-owned domestic same store sales growth of 5.4% , resulting primarily from an increase in transaction counts, the opening of two company-owned restaurants during the current fiscal year, as well as approximately $0.6 million of additional revenue from the 53rd week.

Company segment profit was $5.5 million in fiscal year 2016 , a decrease of $0.2 million , or 3.7% , compared to $5.7 million in the prior fiscal year. The decrease is primarily due to an increase in the average size of wings as well as a 4.4% increase in commodities rates for bone-in chicken wings and investments in roster sizes and staffing to support the continued sales growth in our company-owned restaurants, as well as pre-opening costs and the ramp up of two company-owned restaurants that opened during 2016 as they achieve normal efficiency. The decrease is partially offset by the company-owned comparable same store sales increase of 5.4% .

Liquidity and Capital Resources

General. Our primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents on hand, and proceeds from the incurrence of debt. Our primary requirements for liquidity and capital are working capital and general corporate needs. Historically, we have operated with minimal positive working capital or with negative working capital. We believe that our sources of liquidity and capital will be sufficient to finance our continued operations and growth strategy.

The following table shows summary cash flows information for the fiscal years 2017 , 2016 and 2015 (in thousands):

	Year ended		
	December 30, 2017	December 31, 2016	December 26, 2015
Net cash provided by (used in):			
Operating activities	27,049	23,329	13,860
Investing activities	(6,484)	(2,056)	(1,915)
Financing activities	(20,252)	(28,213)	(10,978)
Net change in cash and cash equivalents	$ 313	$ (6,940)	$ 967

Operating activities . Our cash flows from operating activities are driven by sales at both franchise restaurants and company-owned restaurants, as well as franchise and development fees. We collect franchise royalties from our franchise owners on a weekly basis. Restaurant-level operating costs at our company-owned restaurants, unearned franchise and development fees and corporate overhead costs also impact our cash flows from operating activities.

Net cash provided by operating activities was $27.0 million in fiscal year 2017 , an increase of $3.7 million , from $23.3 million in fiscal year 2016 . The increase was primarily due to an increase in net income, offset by timing of changes in working capital.

Net cash provided by operating activities was $23.3 million in fiscal year 2016 , an increase of $9.5 million , from $13.9 million in fiscal year 2015 primarily due to increased net income over the prior year, and the timing of changes in working capital.

Investing activities . Our net cash used in investing activities was $6.5 million in fiscal year 2017 , an increase of $4.4 million , from $2.1 million in fiscal year 2016 . The increase was due to cash paid for the acquisition of two restaurants from a franchisee during the third quarter 2017, as well as an increase in capital expenditures over the prior year.

Net cash used in investing activities was $2.1 million in fiscal year 2016 , an increase of $0.1 million , from $1.9 million in fiscal year 2015 . The increase in the use of cash was due to an increase in capital expenditures over the comparable period primarily driven by opening two corporate restaurants.

Financing activities . Our net cash used in financing activities was $20.3 million in fiscal year 2017 , a decrease of $8.0 million , from $28.2 million in fiscal year 2016 . In fiscal year 2016 , we paid a special dividend of $83.3 million in connection with the refinancing of our credit agreement, which was funded by net borrowings of $55.8 million . In fiscal year 2017 , we paid regular dividends of $4.1 million and net payments of $17.5 million on our long-term debt.

Our net cash used in financing activities was $28.2 million in fiscal year 2016 , an increase of $17.2 million , from $11.0 million in fiscal year 2015 . The increase was due to increased special cash dividend payments to stockholders of $35.3 million over the prior year amount paid. This was partially offset by an increase in net borrowings of $54.0 million in 2016 , compared to $34.7 million in net proceeds from the sale of common stock in our IPO in 2015 .

Senior secured credit facilities . In June 2016 , the Company entered into a $180.0 million new senior secured credit facility (the “2016 Facility”), which replaced the Company’s second amended and restated credit facility dated March 18, 2015 (the “2015 Facility”). The aggregate 2016 Facility size was $180.0 million , and was comprised of a $70.0 million term loan and a $110.0 million revolving credit facility. We used the proceeds from the 2016 Facility and cash on hand to refinance $85.5 million of indebtedness under the 2015 Facility and to pay a special dividend of $83.3 million to our stockholders. Borrowings under the 2016 Facility bore interest, payable quarterly, at the base rate plus a margin (1.00% to 2.00% , dependent on our reported leverage ratio) or LIBOR plus a margin (2.00% to 3.00% , dependent on our reported leverage ratio), at the Company’s discretion. The 2016 Facility had a maturity date of June 2021 .

We made payments of $21.0 million and borrowings of $3.5 million on the 2016 Facility in 2017 . As of December 30, 2017 , we were in compliance with all of the financial and non-financial covenants under the 2016 Facility, including the fixed charge coverage and leverage requirements.

On January 30, 2018, we entered into an amended $250 million senior secured credit facility (the “2018 Facility”), which replaced the 2016 Facility. The 2018 Facility consists of a term loan facility in the aggregate amount of $100 million and a revolving credit facility up to an aggregate amount of $150 million. The 2018 Facility has a five year term and matures on January 30, 2023.

In connection with the entry into the 2018 Facility, we utilized approximately $230 million of proceeds from the 2018 Facility to refinance approximately $134 million of indebtedness under the 2016 Facility and to pay a special cash dividend of approximately $95 million to our stockholders.

The 2018 Facility bears interest, at our option, at either the prime rate plus an applicable margin ranging from 0.75% to 1.75% or at an adjusted LIBOR rate plus an applicable margin ranging from 1.75% to 2.75%, in each case based on our lease adjusted leverage ratio. Failure to comply with these covenants in the future could cause an acceleration of outstanding amounts under the term loan and revolver and restrict us from borrowing under the revolving credit facility to fund our liquidity requirements.

The 2018 Facility is secured by a first-priority security interest in substantially all of our assets. Obligations under the 2018 Facility are guaranteed by the Company and its subsidiaries. The 2018 Facility also requires compliance with certain financial and non-financial covenants, including a specified lease adjusted leverage ratio and a specified fixed charge coverage ratio.

Dividends . In August 2017, we announced that our board of directors authorized a regular dividend program under which we intend to pay quarterly dividends on our common stock, subject to quarterly declarations by our board of directors. A dividend of $0.07 was announced during each of the second and third quarters of 2017, which was paid on September 18, 2017 and December 19, 2017 , respectively.

On February 22, 2018 , our Board of Directors declared a quarterly dividend of $0.07 per common share payable on March 23, 2018 to stockholders of record at the close of business on March 9, 2018 . In addition, in July 2016 and February 2018, we paid special cash dividends of $2.90 per share and $3.17 per share, respectively, in connection with refinancings of our credit facilities.

We do not currently expect the restrictions in the 2018 Facility to impact our ability to make regularly quarterly dividends pursuant to our quarterly dividend program. However, any future declarations of dividends, as well as the amount and timing of such dividends, is subject to capital availability and the discretion of our board of directors, which must evaluate, among other things, whether cash dividends are in the best interest of our stockholders.

Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 30, 2017 (in thousands):

	Payments due by period			
	Fiscal year 2018	**Fiscal years 2019-2020**	**Fiscal years 2021-2022**	**Thereafter**
Senior credit facility	$ 3,500	$ 6,125	$ 124,125	$ —
Operating leases [a]	1,783	2,997	2,508	4,037
Interest payments	4,926	8,309	2,293	—
Total	$ 10,209	$ 17,431	$ 128,926	$ 4,037

[a] Includes base lease terms and certain optional renewal periods that are included in the lease term in accordance with accounting guidance related to leases.

Indemnifications. We are parties to certain indemnifications to third parties in the ordinary course of business. The probability of incurring an actual liability under such indemnifications is sufficiently remote so that no liability has been recorded.

Off-Balance Sheet Arrangements

At December 30, 2017 , we did not have any off-balance sheet arrangements, except for leases.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. Our critical accounting policies and estimates are more fully described in Note 1 to our consolidated financial statements. However, we believe the accounting policies described below are particularly important to the portrayal and understanding of our financial position and results of operations.

Revenue Recognition

Revenues consist of sales from franchise and development fees, international territory fees, franchise royalties and company-owned stores. Franchise fees are recognized as revenue when all material services or conditions relating to the store have been substantially performed or satisfied by WRI, which is typically when a franchised store begins operations. Development fees for the right to develop a store are recognized as revenue when all material services or conditions relating to the sale have been substantially performed, which is typically when the franchised store begins operations. International territory fees and development fees determined based on the number of stores to open in an area are deferred and recognized as revenue on a pro rata basis at the same time the individual franchise fee is recognized, typically when individual stores are opened. Franchise fee, development fee and international territory fee payments received by WRI before the restaurant opens are recorded as deferred revenue in the Consolidated Balance Sheets.

Continuing royalties, which are a percentage of net sales of the franchisee, are recognized as revenue when earned. The Company records food and beverage revenues from company-owned stores upon sale to the customer. The Company collects and remits sales, food and beverage, alcoholic beverage and hospitality taxes on transactions with customers and reports such amounts under the net method in its Consolidated Statements of Operations. Accordingly, these taxes are not included in gross revenue.

Our revenue recognition policies will be impacted by new guidance for revenue recognition beginning in fiscal year 2018. See “Recently Issued Accounting Standards” in Note 1 to our consolidated financial statements for further discussion.

Advertising Expenses

WRI administers the Wingstop Restaurants Advertising Fund (“Ad Fund”), for which WRI collects a percentage of gross sales from Wingstop restaurant franchisees and WRI-owned restaurants to be used for various forms of advertising for the Wingstop brand.

WRI administers and directs the development of all advertising and promotion programs in the advertising fund for which it collects advertising contributions, in accordance with the provisions of its franchise agreements. WRI has a contractual obligation with regard to these advertising contributions. The Company consolidates and reports all assets and liabilities of the advertising fund as restricted assets of the advertising fund and restricted liabilities of the advertising fund within current assets and current liabilities, respectively, in the Consolidated Balance Sheets. The assets and liabilities of the advertising fund consist primarily of cash, receivables, accrued expenses, other liabilities, and any cumulative surplus related specifically to the advertising fund. The revenues, expenses and cash flows of the advertising fund are not included in the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows because the Company does not have complete discretion over the usage of the funds. Rather, under the franchise agreements, contributions to the advertising fund are restricted to advertising, public relations, merchandising, similar activities, and administrative expenses to increase sales and further enhance the public reputation of the Wingstop brand. The aforementioned administrative expenses may also include personnel expenses and allocated costs incurred by the Company which are directly associated with administering the advertising fund, as outlined in the provisions of the franchise agreements.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change. The Company files a consolidated federal income tax return including all of its subsidiaries.

Significant judgment is required in evaluating the Company’s uncertain tax positions and determining the Company’s income tax expense. The Company assesses the income tax position and records the liabilities for all years subject to examination based upon management’s evaluation of the facts, circumstances, and information available at the reporting date.

Item 7A. Quantitative and Qualitative Disclosures of Market Risks

Impact of Inflation. The primary inflationary factors affecting our and our franchisees’ operations are food and beverage costs, labor costs, energy costs and the costs and materials used in the construction of new restaurants. Our restaurant operations are subject to federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of our and our franchisees’ restaurant personnel are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in the minimum wage increase our and our franchisees’ labor costs. To the extent permitted by competition and the economy, we have mitigated increased costs by increasing menu prices and may continue to do so if deemed necessary in future years. Substantial increases in costs and expenses could impact our operating results to the extent such increases cannot be passed through to our customers. Historically, inflation has not had a material effect on our results of operations. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse impact on our business, financial condition and results of operations.

Commodity Price Risk. We are exposed to market risks from changes in commodity prices. Many of the food products purchased by us are affected by weather, production, availability and other factors outside our control. Although we attempt to minimize the effect of price volatility by negotiating fixed price contracts for the supply of key ingredients, there are no established fixed price markets for bone-in chicken wings so we are subject to prevailing market conditions. Bone-in chicken wings accounted for approximately 31.4% and 29.1% of our company-owned restaurant costs of sales in fiscal years 2017 and 2016 . A hypothetical

10.0% increase in the bone-in chicken wing costs in fiscal year 2017 would have increased costs of sales by approximately $0.9 million during the year. We do not engage in speculative financial transactions nor do we hold or issue financial instruments for trading purposes.

Interest Rate Risk. We are subject to interest rate risk in connection with borrowings under our senior secured credit facility, which bear interest at variable rates. At December 30, 2017 , we had $133.8 million outstanding under our credit facility. Derivative financial instruments, such as interest rate swap agreements and interest rate cap agreements, may be used for the purpose of managing fluctuating interest rate exposures that exist from our variable rate debt obligations that are expected to remain outstanding. Interest rate changes do not affect the market value of such debt, but could impact the amount of our interest payments, and accordingly, our future earnings and cash flows, assuming other factors are held constant. A hypothetical 1.0% percentage point increase or decrease in the interest rate associated with our credit facilities would have resulted in a $1.3 million impact on interest expense for the year ended December 30, 2017 .

Item 8. Financial Statements and Supplementary Data

Information with respect to this Item is set forth beginning on page F-1. See "Item 15 - Exhibits and Financial Schedule" below.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 30, 2017 to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The management of Wingstop Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 30, 2017 . In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)* . Based on such assessment our management has concluded that, as of December 30, 2017 , our internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting as of December 30, 2017 .

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Wingstop Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Wingstop Inc. and Subsidiaries' internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework, (the COSO criteria). In our opinion, Wingstop Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 30, 2017 and December 31, 2016, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the three fiscal years in the period ended December 30, 2017, and the related notes and our report dated February 23, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 23, 2018

Item 9B. Other Information

Amendments to Code of Business Conduct and Ethics

On February 21, 2018, our board of directors, acting upon the recommendation of our nominating and corporate governance committee, approved amendments to our Code of Business Conduct and Ethics to, among other things:

- remove references to Roark Capital Management and its affiliates; and
- clarify and modernize the provisions of the Code of Business Conduct and Ethics.

The updated Code of Business Conduct and Ethics is available on the investor relations section of our website, ir.wingstop.com. The amendments to the Code of Business Conduct and Ethics did not result in the waiver of any provision thereof.

Amendments to Amended and Restated Bylaws

On February 21, 2018, our board of directors, acting upon the recommendation of our nominating and corporate governance committee, amended and restated our Amended and Restated Bylaws to, among other things:

- revise the advance notice provisions of the Amended and Restated Bylaws to require stockholders to provide additional information to the Company when proposing business for an annual meeting or nominating a director for election to our board of directors, including information concerning:
    - whether the proposing stockholder or its associated persons is a party to any material ongoing or pending legal proceedings with the Company;
    - whether the proposing stockholder or its associated persons have any direct or indirect material interest in any material contract or agreement of the Company or its principal competitors;
    - with respect to a stockholder nominee for election to our board of directors, whether such nominee:
        - is a party to any voting commitments or arrangements related to his or her service as a director;
        - is a party to any compensatory arrangements with the stockholder (or its associated persons) nominating such person for election to our board of directors; and
- remove references to Roark Capital Management and its affiliates; and
- clarify and modernize the provisions of the Amended and Restated Bylaws.

The foregoing description of the Amended and Restated Bylaws, as amended and restated, is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, as amended and restated, a copy of which is filed as Exhibit 3.2 hereto.

Adoption of 2018 Bonus Plan

On February 21, 2018, our compensation committee adopted the Wingstop 2018 Bonus Plan (the "2018 Bonus Plan"), which provides for the payment of annual cash bonuses to certain eligible employees, including our named executive officers, up to a specified percentage of such eligible employee's annual base salary. The purpose of the 2018 Bonus Plan is to advance our interests and the interests of our stockholders by (i) providing certain employees, including our named executive officers, with incentive compensation that is tied to the achievement of pre-established, objective performance goals, (ii) identifying and rewarding superior performance and providing competitive compensation to attract, motivate and retain employees who have outstanding skills and abilities, and who achieve superior performance, and (iii) fostering accountability and teamwork throughout Wingstop. The compensation committee administers the 2018 Bonus Plan.

Pursuant to the 2018 Bonus Plan, each of our named executive officers is eligible to earn a target bonus ranging from 50% of base salary, for certain senior executives, to 100% of base salary, for our Chief Executive Officer. The actual amount of the bonus payable under the 2018 Bonus Plan ranges from 0% to 150% of the target bonus amount based on the achievement of certain Adjusted EBITDA target goals more fully set forth in the 2018 Bonus Plan.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors, executive officers, audit committee and our audit committee financial expert required by this Item 10 will be included in our definitive Proxy Statement for the 2018 Annual Meeting of Shareholders and such disclosure is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation required by this Item 11 will be included in our definitive Proxy Statement for the 2018 Annual Meeting of Shareholders and such disclosure is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and related stockholder matters, including the disclosures required by Item 201(d) of Regulation S-K, required by this Item 12 will be included in our definitive Proxy Statement for the 2018 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence required by this Item 13 will be included in our definitive Proxy Statement for the 2018 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company’s independent registered public accounting firm is Ernst & Young LLP. Information regarding principal accountant fees and services required by this Item 14 will be included in our definitive Proxy Statement for the 2018 Annual Meeting of Shareholders and such disclosure is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

Refer to Index to Financial Statements appearing on page F-1.

(b) Financial Statement Schedules

No financial statement schedules are provided because the information called for is not required or is shown in the financial statements or the notes thereto.

(c) Exhibits

The exhibits listed below are filed or incorporated by reference as a part of this report.

Index to exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Wingstop Inc. filed as exhibit 3.1 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
3.2*	Amended and Restated Bylaws of Wingstop Inc. filed herewith
4.1	Form of Stock Certificate for Common Stock filed as exhibit 4.1 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.1	Credit Agreement dated January 30, 2018, by and among Wingstop, Inc., as borrower and guarantor, Wells Fargo Bank, National Association, as administrative agent and issuing lender, and Wells Fargo Securities, LLC, Citizens Bank, National Association, and Fifth Third Bank as joint lead arrangers and joint book runners filed as exhibit 10.1 to the Current Report on Form 8-K of the Company on January 30, 2018 and incorporated herein by reference
10.2	Credit Agreement dated June 30, 2016, by and among Wingstop, Inc., as borrower and guarantor, Wells Fargo Bank, National Association, as administrative agent and issuing lender, and Wells Fargo Securities, LLC and Citizens Bank, National Association as joint lead arrangers and joint book runners filed as Exhibit 10.1 to the Current Report of the Company on Form 8-K on June 30, 2016 and incorporated herein by reference
10.3 †	Wing Stop Holding Corporation 2010 Stock Option Plan filed as exhibit 10.2 to the Registration Statement of the Company on Form S-8 (Registration No. 333-00966) on June 22, 2015 and incorporated herein by reference
10.4 †	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 1) filed as exhibit 10.8 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.5†	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 2) filed as exhibit 10.9 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.6 †	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 3) filed as exhibit 10.10 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.7†	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 4) filed as exhibit 10.11 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.8†	Employment Agreement, dated December 22, 2016, by and between Wingstop Restaurants Inc. and Charles Morrison filed as exhibit 10.1 to the Current Report on Form 8-K of the Company on December 23, 2016 and incorporated herein by reference
10.9†	Employment Agreement, effective as of August 2, 2017, among Wingstop Restaurants Inc. and Michael Skipworth filed as exhibit 10.1 to the Form 10-Q of the Company for the quarter ended September 30, 2017 on November 3, 2017 and incorporated herein by reference
10.10*†	Employment Agreement, dated January 11, 2018, among Wingstop Restaurants Inc. and Lawrence Kruguer filed herewith

10.11†	Form of Change in Control Bonus Award Agreement filed as exhibit 10.15 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.12†	Form of Indemnification Agreement filed as exhibit 10.16 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.13†	Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.18 to the Registration Statement of the Company on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference
10.14†	Amendment One to Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.1 to the Form 10-Q of the Company for the quarter ended June 27, 2015 on August 7, 2015 and incorporated herein by reference
10.15†	Amendment Two to the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan, effective as of August 3, 2017 filed as exhibit 10.2 to the Form 10-Q of the Company for the quarter ended September 30, 2017 on November 3, 2017 and incorporated herein by reference
10.16†	Form of Option Award Agreement for Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.2 to the Form 10-Q of the Company for the quarter ended June 27, 2015 on August 7, 2015 and incorporated herein by reference
10.17†	Form of Performance-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan filed as exhibit 10.1 to the Current Report on Form 8-K of the Company on February 1, 2017 and incorporated by reference herein
10.18†	Form of Service-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan as exhibit 10.2 to the Current Report on Form 8-K of the Company on February 1, 2017 and incorporated by reference herein
10.19 †	Form of Restricted Stock Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan as exhibit 10.3 to the Current Report on Form 8-K of the Company on February 1, 2017 and incorporated by reference herein
21.1*	List of subsidiaries of Wingstop Inc.
23.2*	Consent of Ernst & Young LLP, independent registered public accounting firm
31.1*	Certification Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification Pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Indicates management agreement.

Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wingstop Inc.
/s/ Charles R. Morrison
Charles R. Morrison
Chairman and Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Charles R. Morrison		February 23, 2018
Charles R. Morrison	Chairman and Chief Executive Officer (Principal Executive Officer)	
/s/ Michael J. Skipworth		February 23, 2018
Michael J. Skipworth	Chief Financial Officer (Principal Financial and Accounting Officer)	
/s/ Lynn Crump-Caine		February 23, 2018
Lynn Crump-Caine	Lead Independent Director	
/s/ David L. Goebel		February 23, 2018
David L. Goebel	Director	
/s/ Michael J. Hislop		February 23, 2018
Michael J. Hislop	Director	
/s/ Kilandigalu M. Madati		February 23, 2018
Kilandigalu M. Madati	Director	
/s/ Wesley S. McDonald		February 23, 2018
Wesley S. McDonald	Director	

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Wingstop Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wingstop Inc. and Subsidiaries (the Company) as of December 30, 2017 and December 31, 2016, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the three fiscal years in the period ended December 30, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 30, 2017 and December 31, 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 23, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2012.

Dallas, Texas
February 23, 2018

WINGSTOP INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(amounts in thousands, except share and par value data)

	December 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 4,063	$ 3,750
Accounts receivable, net	4,567	3,199
Prepaid expenses and other current assets	4,334	1,634
Advertising fund assets, restricted	2,944	2,533
Total current assets	15,908	11,116
Property and equipment, net	5,826	4,999
Goodwill	46,557	45,128
Trademarks	32,700	32,700
Customer relationships, net	15,567	16,914
Other non-current assets	3,278	943
Total assets	**$ 119,836**	**$ 111,800**
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 1,752	$ 1,458
Other current liabilities	10,683	9,241
Current portion of debt	3,500	3,500
Advertising fund liabilities, restricted	2,944	2,533
Total current liabilities	18,879	16,732
Long-term debt, net	129,841	147,217
Deferred revenues, net of current	8,427	7,868
Deferred income tax liabilities, net	8,799	12,304
Other non-current liabilities	2,142	2,307
Total liabilities	168,088	186,428
Commitments and contingencies (see note 11)		
Stockholders' deficit		
Common stock, $0.01 par value; 100,000,000 shares authorized; 29,092,669 and 28,747,392 shares issued and outstanding as of December 30, 2017 and December 31, 2016, respectively	291	287
Additional paid-in-capital	262	1,194
Accumulated deficit	(48,805)	(76,109)
Total stockholders' deficit	(48,252)	(74,628)
Total liabilities and stockholders' deficit	**$ 119,836**	**$ 111,800**

See accompanying notes to consolidated financial statements

WINGSTOP INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(amounts in thousands, except per share data)

	Fiscal Year Ended		
	December 30, 2017	December 31, 2016	December 26, 2015
Revenue:			
Royalty revenue and franchise fees	$ 68,483	$ 57,071	$ 46,688
Company-owned restaurant sales	37,069	34,288	31,281
Total revenue	105,552	91,359	77,969
Costs and expenses:			
Cost of sales [1]	28,745	25,308	22,219
Selling, general and administrative	37,151	33,840	33,350
Depreciation and amortization	3,376	3,008	2,682
Total costs and expenses	69,272	62,156	58,251
Operating income	36,280	29,203	19,718
Interest expense, net	5,131	4,396	3,477
Other expense, net	—	254	396
Income before income tax expense	31,149	24,553	15,845
Income tax expense	3,845	9,119	5,739
Net income	$ 27,304	$ 15,434	$ 10,106
Earnings per share			
Basic	$ 0.94	$ 0.54	$ 0.37
Diluted	$ 0.93	$ 0.53	$ 0.36
Weighted average shares outstanding			
Basic	29,025	28,637	27,497
Diluted	29,424	28,983	27,816
Dividends per share	$ 0.14	$ 2.90	$ 1.83

[1] exclusive of depreciation and amortization, shown separately

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Deficit
(amounts in thousands, except share data)

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at December 27, 2014	26,101,755	$ 261	$ 2,313	$ (11,568)	$ (8,994)
Net income	—	—	—	10,106	10,106
Issuance of common stock in connection with the IPO, net of transaction expenses	2,150,000	21	34,967	—	34,988
Exercise of stock options	329,427	4	474	—	478
Stock-based compensation expense	—	—	1,155	—	1,155
Excess tax benefit of stock-based compensation	—	—	593	—	593
Dividends paid	—	—	(2,632)	(45,367)	(47,999)
Balance at December 26, 2015	28,581,182	286	36,870	(46,829)	(9,673)
Net income	—	—	—	15,434	15,434
Exercise of stock options	166,210	1	484	—	485
Stock-based compensation expense	—	—	1,231	—	1,231
Excess tax benefit of stock-based compensation	—	—	1,163	—	1,163
Dividends paid	—	—	(38,554)	(44,714)	(83,268)
Balance at December 31, 2016	28,747,392	287	1,194	(76,109)	(74,628)
Net income	—	—	—	27,304	27,304
Issuance of common stock, net	19,168	1	(1)	—	—
Exercise of stock options	326,109	3	1,315	—	1,318
Stock-based compensation expense	—	—	1,851	—	1,851
Dividends paid	—	—	(4,097)	—	(4,097)
Balance at December 30, 2017	29,092,669	$ 291	$ 262	$ (48,805)	$ (48,252)

See accompanying notes to consolidated financial statements.

WINGSTOP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(amounts in thousands)

	Fiscal Year Ended		
	December 30, 2017	December 31, 2016	December 26, 2015
Operating activities			
Net income	$ 27,304	$ 15,434	$ 10,106
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	3,376	3,008	2,682
Deferred income taxes	(3,505)	(714)	(1,046)
Stock-based compensation expense	1,851	1,231	1,155
Amortization of debt issuance costs	292	437	330
Changes in operating assets and liabilities:			
Accounts receivable	(1,368)	205	(1,004)
Prepaid expenses and other assets	(503)	(171)	(196)
Accounts payable and other current liabilities	(876)	3,648	1,169
Deferred revenue	645	48	450
Other non-current liabilities	(167)	203	214
Cash provided by operating activities	27,049	23,329	13,860
Investing activities			
Purchases of property and equipment	(2,535)	(2,056)	(1,915)
Acquisition of restaurants from franchisees	(3,949)	—	—
Cash used in investing activities	(6,484)	(2,056)	(1,915)
Financing activities			
Proceeds from issuance of common stock, net of expenses	—	—	34,988
Proceeds from exercise of stock options	1,318	485	478
Borrowings of long-term debt	3,500	165,000	40,000
Repayments of long-term debt	(21,000)	(109,250)	(38,218)
Payment of deferred financing costs	—	(1,180)	(227)
Dividends paid	(4,070)	(83,268)	(47,999)
Cash used in financing activities	(20,252)	(28,213)	(10,978)
Net change in cash and cash equivalents	313	(6,940)	967
Cash and cash equivalents at beginning of period	3,750	10,690	9,723
Cash and cash equivalents at end of period	$ 4,063	$ 3,750	$ 10,690
Supplemental information:			
Cash paid for interest	$ 4,842	$ 4,775	$ 3,409
Cash paid for taxes	$ 10,096	$ 7,230	$ 5,362

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation and Summary of Significant Accounting Policies

Overview

Wingstop Inc. was incorporated in Delaware on March 18, 2015 ("Wingstop" or the "Company"). Wing Stop Holding Corporation was merged with and into Wingstop Inc. pursuant to the reorganization that occurred on May 18, 2015 as described below. Wing Stop Holding Corporation was originally formed on March 16, 2010 to purchase 100% of the equity interests of Wingstop Holdings, Inc. ("WHI"). WHI owns 100% of the common stock of Wingstop Restaurants Inc. ("WRI"). Wingstop, through its primary operating subsidiary, WRI, collectively referred to as the "Company", is in the business of franchising and operating Wingstop restaurants. As of December 30, 2017 , 1,004 franchised restaurants were in operation domestically and 106 international franchised restaurants were in operation across eight countries. As of December 30, 2017 , WRI owned and operated 23 restaurants.

On May 28, 2015, Wing Stop Holding Corporation merged with and into Wingstop Inc., with Wingstop Inc. as the surviving corporation in the merger. Pursuant to the merger, each holder of Wing Stop Holding Corporation common stock received 0.545 shares of common stock of Wingstop Inc. for each one share of Wing Stop Holding Corporation. Additionally, each option to purchase common stock of Wing Stop Holding Corporation was assumed by Wingstop Inc. and converted into an option to purchase 0.545 shares of common stock of Wingstop Inc. for each one share of Wing Stop Holding Corporation with the remaining terms of each such option remaining unchanged, except as was necessary to reflect the reorganization. All references to shares in the financial statements and the notes to the financial statements, including but not limited to the number of shares and per share amounts, unless otherwise noted, have been adjusted to reflect the reorganization retrospectively.

Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Wingstop Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Year End

The Company uses a 52/53-week fiscal year that ends on the last Saturday of the calendar year. Fiscal years 2017 and 2015 each consisted of 52 weeks, and fiscal year 2016 consisted of 53 weeks.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions, primarily related to long-lived asset (valuation), indefinite and finite lived intangible asset valuation, income taxes, leases, stock-based compensation, contingencies and common stock equity valuations. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could differ from those estimates.

(d) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income is the same as net income for all periods presented. Therefore, a separate statement of comprehensive income (loss) is not included in the accompanying consolidated financial statements.

(e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of credit card receivables and all highly liquid investments with an initial maturity of three months or less when purchased. Cash and cash equivalents are carried at cost which approximates fair value. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits; however, the Company has not experienced any losses in these accounts. The Company believes it is not exposed to any significant credit risk.

(f) Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, consists primarily of accrued royalty fee receivables, collected weekly in arrears, and vendor rebates. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables, which are charged off against the existing allowance account when determined to be uncollectible.

(g) Inventories

Inventories, which consist of food and beverage products, paper goods and supplies, are valued at the lower of cost (first-in, first-out) or market.

(h) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment is depreciated based on the straight-line method over the following estimated useful lives:

Property and Equipment	**Estimated Useful Lives**
Leasehold improvements	Lesser of the expected lease term or useful life
Equipment, furniture and fixtures	3 to 7 years

At the time property and equipment are retired, the asset and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in earnings. The Company expenses repair and maintenance costs that maintain the appearance and functionality of the restaurant but do not extend the useful life of any restaurant asset. Improvements to leased properties are depreciated over the shorter of their useful life or the lease term, which includes a fixed, non-cancelable lease term plus any reasonably assured renewal periods.

(i) Impairment or Disposal of Long-Lived Assets

Property and equipment and finite-life intangible assets are reviewed for impairment periodically and whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company’s assessment of recoverability of property and equipment and finite-lived intangible assets is performed at the component level, which is generally an individual restaurant and requires judgment and an estimate of future restaurant generated cash flows. The Company’s estimates of fair values are based on the best information available and require the use of estimates, judgments, and projections. The actual results may vary significantly from the estimates.

(j) Goodwill and Indefinite-Lived Intangible Assets

The Company’s indefinite-lived intangible assets consist of goodwill and trademarks, which are not subject to amortization. On an annual basis (October 1st of the fiscal year) and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, the Company reviews the recoverability of goodwill and indefinite-lived intangible assets. No indications of impairment were identified during fiscal years 2017 , 2016 or 2015 .

Impairment indicators that may necessitate goodwill impairment testing in between the Company’s annual impairment tests include, but are not limited to the following:

- A significant adverse change in legal factors or in the business climate;
- An adverse action or assessment by a regulator;
- Unanticipated competition;
- A loss of key personnel;
- A more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of; and
- The testing for recoverability of a significant asset group within a reporting unit.

Impairment indicators that may necessitate indefinite-lived intangible asset impairment testing in between the Company’s annual impairment tests are consistent with those of its long-lived assets.

Sales declines at Wingstop restaurants, commodity or labor costs, deterioration in overall economic conditions and challenges in the restaurant industry may result in future impairment charges. It is possible that changes in circumstances or changes in management's judgments, assumptions and estimates could result in an impairment charge of a portion or all of its goodwill or other intangible assets.

(k) Revenue Recognition

Revenues consist of sales from franchise and development fees, international territory fees, franchise royalties and company-owned stores. Franchise fees are recognized as revenue when all material services or conditions relating to the store have been substantially performed or satisfied by WRI, which is typically when a franchised store begins operations. Development fees for the right to develop a store are recognized as revenue when all material services or conditions relating to the sale have been substantially performed, which is typically when the franchised store begins operations. International territory fees and development fees determined based on the number of stores to open in an area are deferred and recognized as revenue on a pro rata basis at the same time the individual franchise fee is recognized, typically when individual stores are opened. Franchise fee, development fee and international territory fee payments received by WRI before the restaurant opens are recorded as deferred revenue in the Consolidated Balance Sheets.

Continuing royalties, which are a percentage of net sales of the franchisee, are recognized as revenue when earned. The Company records food and beverage revenues from company-owned stores upon sale to the customer. The Company collects and remits sales, food and beverage, alcoholic beverage and hospitality taxes on transactions with customers and reports such amounts under the net method in its Consolidated Statements of Operations. Accordingly, these taxes are not included in gross revenue.

The Company records a liability in the period in which a gift card is sold and recognizes costs associated with our administration of the gift card program as prepaid assets when the costs are incurred. As gift cards are redeemed, the liability and prepaid asset are reduced. When gift cards are redeemed at a franchisee-operated restaurant, the revenue and related administrative costs are recognized by the franchisee. The Company recognizes revenue and related administrative costs when gift cards are redeemed at company-operated restaurants.

(l) Consideration from Vendors

The Company has entered into food and beverage supply agreements with certain major vendors. Pursuant to the terms of these arrangements, rebates are provided to the Company from the vendors based upon the dollar volume of purchases for company-operated restaurants and franchised restaurants. Additionally, the Company receives certain incentives from vendors to sponsor its annual franchisee convention. These incentives are recognized as earned throughout the year and are classified as a reduction in Cost of sales with any consideration received in excess of the total expense of the vendor's products included within Royalty revenue and franchise fees within the Consolidated Statements of Operations. The incentives recognized were approximately $11.2 million , $6.5 million and $4.8 million , during fiscal years 2017 , 2016 and 2015 , respectively, of which $0.9 million , $1.0 million and $0.7 million was classified as a reduction in Cost of sales during fiscal years 2017 , 2016 and 2015 , respectively.

(m) Advertising Expenses

WRI administers the Wingstop Restaurants Advertising Fund ("Ad Fund"), for which WRI collects a percentage of gross sales from Wingstop restaurant franchisees and WRI-owned restaurants to be used for various forms of advertising for the Wingstop brand. Beginning in fiscal year 2017 , in conjunction with the launch of national advertising, the advertising fund contribution collected from Wingstop restaurant franchisees and WRI-owned restaurants increased from 2% to 3% of gross sales. This change is not an increase to the existing 4% of the restaurants' gross sales that has historically been required to be spent on advertising according to our franchise agreement, but rather a reallocation of the types of advertising on which the 4% advertising fee will be spent.

WRI administers and directs the development of all advertising and promotion programs in the advertising fund for which it collects advertising contributions, in accordance with the provisions of its franchise agreements. WRI has a contractual obligation with regard to these advertising contributions. The Company consolidates and reports all assets and liabilities of the advertising fund as restricted assets of the advertising fund and restricted liabilities of the advertising fund within current assets and current liabilities, respectively, in the Consolidated Balance Sheets. The assets and liabilities of the advertising fund consist primarily of cash, receivables, accrued expenses, other liabilities, and any cumulative surplus related specifically to the advertising fund. The revenues, expenses and cash flows of the advertising fund are not included in the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows because the Company does not have complete discretion over the usage of the funds. Rather, under the franchise agreements, contributions to the advertising fund are restricted to advertising, public relations, merchandising, similar activities, and administrative expenses to increase sales and further enhance the public reputation of the Wingstop brand. The aforementioned administrative expenses may also include personnel expenses and allocated costs incurred by the Company which are directly associated with administering the advertising fund, as outlined in the provisions of the franchise agreements.

WRI made discretionary contributions to the advertising fund for the purpose of supplementing the national advertising campaign of $5.6 million , $2.4 million , and $2.3 million during fiscal years 2017 , 2016 and 2015 , respectively, which are included in Selling, general and administrative expenses in the Consolidated Statements of Operations. Company operated restaurants incurred advertising expenses of $1.5 million in fiscal years 2017 and 2016 , and $1.4 million in fiscal year 2015 , which are included in cost of sales in the Consolidated Statements of Operations and include the company-operated restaurants' advertising fund contributions that are equal to 3% of gross sales for each respective year.

In addition to the above, the Company incurred advertising expenses related to franchise sales of $0.1 million for fiscal years 2017 and 2016 , and $0.2 million for fiscal year 2015 , which are included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

(n) Leases

WRI leases restaurants and office space under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing incentives and minimum rental payments on the straight-line basis over the terms of the leases, WRI uses the date it takes possession of the leased space for construction purposes as the beginning of the term, which is generally two to three months prior to a restaurant's opening date. For leases with renewal periods at WRI's option, WRI determines the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease. In addition to rental expense, certain leases require WRI to pay a portion of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent.

For tenant improvement allowances, rent escalations, and rent holidays, WRI records a deferred rent liability in its Consolidated Balance Sheets and amortizes the deferred rent in the Consolidated Statements of Operations over the terms of the leases as charges to cost of sales and SG&A for company-owned stores and the corporate office, respectively.

(o) Stock-Based Compensation

The Company measures stock-based compensation cost at fair value on the date of grant for all share-based awards and recognizes compensation expense over the service period that the awards are expected to vest. The Company has elected to recognize compensation cost for graded-vesting awards subject only to a service condition over the requisite service period of the entire award. For performance awards, the Company recognizes expense in the period in which vesting becomes probable.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change. The Company files a consolidated federal income tax return including all of its subsidiaries.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining the Company's income tax expense. The Company assesses the income tax position and records the liabilities for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

(q) Business Segments

The Company identifies its reporting segments based on the organizational units used by management to monitor performance and make operating decisions. These reporting segments are as follows: franchise operations and company restaurant operations.

<u>Franchise segment</u>

The Franchise segment consists of our domestic and international franchise restaurants, which represent the majority of our system-wide restaurants. As of December 30, 2017 , the franchise operations segment consisted of 1,110 restaurants operated by Wingstop franchisees in the United States and eight countries outside of the United States as compared to 977 franchised restaurants in operation as of December 31, 2016 . Franchise operations revenue consists primarily of franchise royalty revenue, sales of franchise and development fees and international territory fees. Additionally, vendor rebates received for system-wide volume purchases in excess of the total expense of the vendor's products are recognized as revenue of franchise operations.

Company Segment

As of December 30, 2017 , the Company segment consisted of 23 company-owned restaurants, located in the United States, as compared to 21 company-owned restaurants as of December 31, 2016 . Company restaurant sales are for food and beverage sales at company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, beverage, labor, benefits, utilities, rent and other operating costs.

Certain corporate related items are not allocated to the reportable segments and consist primarily of expenses associated with the Company's initial public offering and management fees. The Company allocates selling, general and administrative expenses based on the relative support provided to each reportable segment.

(r) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance for revenue recognition related to contracts with customers, except for contracts within the scope of other standards, which supersedes nearly all existing revenue recognition guidance. The new guidance provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services.

The new guidance is effective for the Company in fiscal year 2018. The Company will adopt this new guidance in fiscal year 2018 using the full retrospective transition method, which will result in restating each prior reporting period presented, fiscal years 2017 and 2016, in the year of adoption. Additionally, a cumulative effect adjustment will be recorded to the opening balance of accumulated deficit as of the first day of fiscal year 2016, the earliest period presented, which we expect to be $5.1 million .

The expected impact of the new guidance is summarized below. In addition to these expected impacts to our financial results, the Company continues to evaluate the impact the adoption of this new guidance will have on financial statement disclosures, in addition to evaluating business processes and internal controls related to revenue recognition to assist in the ongoing application of the new guidance.

Franchise Fees

The adoption of the new guidance will change the timing of recognition of initial franchise fees, development fees, territory fees for our international business, and renewal and transfer fees. Currently, these fees are generally recognized upfront upon either opening of the respective restaurant, when a renewal agreement becomes effective, or upon transfer of a franchise agreement. The new guidance will generally require these fees to be recognized over the term of the related franchise license for the respective restaurant, which will result in an impact to revenue recognized for initial franchise fees and renewal fees. The new guidance will not change the recognition of royalty income.

Advertising

The adoption of the new guidance will change the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which are not currently included in the consolidated statements of operations. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the consolidated statements of operations, which will have an impact to our total revenues and expenses. However, we expect such advertising fund contributions and expenditures will be largely offsetting and therefore do not expect a significant impact on our reported net income. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds have historically been included within general and administrative expenses, net, but will be included within advertising expenses in the consolidated statements of operations. Advertising expenses incurred by company-owned restaurants will continue to be included within cost of sales in the consolidated statements of operations.

The table below presents the expected effects upon adoption these changes would have had on the Company's financial statements in 2017 and 2016 (amounts in thousands, except per share data):

	Fiscal Year 2017			Fiscal Year 2016		
	As reported	Effects of Adoption	Upon Adoption	As reported	Effects of Adoption	Upon Adoption
Royalty revenue and franchise fees	$ 68,483	$ (2,407)	$ 66,076	$ 57,071	$ (2,596)	$ 54,475
Advertising fees and related income	—	30,174	30,174	—	14,561	14,561
Advertising expenses	—	32,427	32,427	—	13,849	13,849
Selling, general and administrative	37,151	(2,253)	34,898	33,840	712	34,552
Net income	$ 27,304	$ (3,364)	$ 23,940	$ 15,434	$ (1,665)	$ 13,769
Basic EPS	$ 0.94	$ (0.12)	$ 0.82	$ 0.54	$ (0.06)	$ 0.48
Diluted EPS	$ 0.93	$ (0.11)	$ 0.82	$ 0.53	$ (0.06)	$ 0.47

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* . ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 as of its issuance is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting the new leases standard on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* , which was issued to simplify accounting for several aspects of share-based payment transactions, including the income tax impact, classification on the statement of cash flows and forfeitures. The Company adopted this new standard on January 1, 2017. As a result, the recognition of excess tax benefits are reflected in our provision for income taxes in the Consolidated Statements of Operations rather than Stockholders' deficit in the Consolidated Balance Sheet for all periods after fiscal year 2016. This provision was required to be applied prospectively. For the fiscal year ended December 30, 2017 , we recognized $2.5 million of excess tax benefits in income tax expense in the Consolidated Statements of Operations.

Excess tax benefits are included in cash flows from operating activities rather than cash flows from financing activities in the Consolidated Statement of Cash Flows. We elected to apply this change in presentation retrospectively, and thus, prior periods have been adjusted, resulting in an increase to cash provided by operating activities and cash used in financing activities of $1.2 million and $0.8 million for the fiscal years ended December 31, 2016 and December 26, 2015 , respectively. This new standard allows entities to make an accounting policy election to either estimate the number of equity awards that are expected to vest, as previously required, or account for forfeitures when they occur. We have elected to recognize forfeitures in the period they occur. This change in accounting policy did not result in a material impact to the Consolidated Statements of Operations.

(2) Earnings Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted stock units, determined using the treasury stock method. We had approximately 6,000 , 4,000 and 11,000 equity awards outstanding at December 30, 2017 , December 31, 2016 , and December 26, 2015 , respectively, that were not included in the dilutive earnings per share calculation because the effect would have been anti-dilutive.

Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding as follows (in thousands):

	Fiscal Year		
	December 30, 2017	December 31, 2016	December 26, 2015
Basic weighted average shares outstanding	29,025	28,637	27,497
Dilutive shares	399	346	319
Diluted weighted average shares outstanding	29,424	28,983	27,816

(3) Dividends

On August 3, 2017 , the Company's Board of Directors declared a quarterly dividend of $0.07 per share of common stock for shareholders of record as of September 3, 2017 , which was paid on September 18, 2017 , totaling $2.0 million . On November 2, 2017 , the Company's Board of Directors declared a quarterly dividend of $0.07 per share of common stock for shareholders of record as of December 4, 2017 , to be paid on December 19, 2017 , totaling approximately $2.0 million .

Subsequent to the fourth quarter, on January 30, 2018 , the Board of Directors of the Company declared a special cash dividend of $3.17 per share payable on February 14, 2018 to its holders of common stock of record as of February 9, 2018 . Additionally, on February 22, 2018 , the Company's Board of Directors declared a quarterly dividend of $0.07 per share of common stock for shareholders of record as of March 9, 2018 , to be paid on March 23, 2018 , totaling approximately $2.1 million .

(4) Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. Assets and liabilities are classified using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 - Unobservable inputs reflecting management's estimates and assumptions.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. Fair value of debt is determined on a non-recurring basis, which results are summarized as follows (in thousands):

		December 30, 2017		December 31, 2016	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Secured Credit Facility:					
Term loan facility [1]	Level 2	$ 64,750	$ 64,750	$ 68,250	$ 68,250
Revolving credit facility [1]	Level 2	$ 69,000	$ 69,000	$ 83,000	$ 83,000

[1] The fair value of long-term debt was estimated using available market information.

The Company also measures certain non-financial assets at fair value on a non-recurring basis, primarily long-lived assets, intangible assets and goodwill, in connection with our periodic evaluations of such assets for potential impairment.

(5) Accounts Receivable, net

Accounts receivables, net, consist of the following (in thousands):

	December 30, 2017	December 31, 2016
Vendor rebates receivable	$ 2,145	$ 1,459
Royalties receivable	987	883
Gift card receivable	1,184	672
Other receivables, net	251	185
Accounts receivable, net	$ 4,567	$ 3,199

(6) Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	December 30, 2017	December 31, 2016
Equipment, furniture and fixtures	$ 9,298	$ 7,682
Leasehold improvements	7,005	6,081
Construction in progress	183	201
Property and equipment, gross	16,486	13,964
Less: accumulated depreciation	(10,660)	(8,965)
Property and equipment, net	$ 5,826	$ 4,999

Depreciation expense was $1.9 million , $1.6 million and $1.3 million for the fiscal years ended December 30, 2017 , December 31, 2016 and December 26, 2015 , respectively.

(7) Intangible Assets and Goodwill

The Company's goodwill and other intangible assets arose from Wingstop's acquisition of the equity interests of WHI in April 2010, as well as the acquisition of restaurants from franchisees in 2017. Goodwill has been allocated to two reporting units, company-owned restaurants and franchised restaurants and represents the excess of purchase consideration transferred for the respective reporting unit over the fair value of the business at the time of the acquisition. See Note 16 for the allocation of goodwill among the two reporting units.

The following is a summary of goodwill balances and activity (in thousands):

	December 30, 2017	December 31, 2016
Balance, beginning of period	$ 45,128	$ 45,128
Acquisition of restaurants	1,429	—
Balance, end of period	$ 46,557	$ 45,128

Intangible assets, excluding goodwill, consisted of the following (in thousands):

	December 30, 2017	December 31, 2016	Weighted Average Amortization Period (in years)
Intangible assets:			
Trademarks	$ 32,700	$ 32,700	
Indefinite-lived assets	32,700	32,700	
Customer relationships	26,300	26,300	20.0
Franchise rights [1]	2,323	—	7.5
Proprietary software [1]	115	115	5.0
Noncompete agreements [1]	250	250	2.8
Less: accumulated amortization	(11,249)	(9,751)	
Definite-lived assets	17,739	16,914	18.8
Intangible assets, net	$ 50,439	$ 49,614	

[1] Included within Other non-current assets net of associated accumulated amortization within the Consolidated Balance Sheets.

Amortization expense for definite-lived intangibles was $1.5 million for fiscal year 2017 and $1.4 million for fiscal years 2016 and 2015 . Estimated amortization expense, principally related to customer relationships, for the five succeeding years and the aggregate thereafter is (in thousands):

Fiscal year 2018	$ 1,661
Fiscal year 2019	1,649
Fiscal year 2020	1,637
Fiscal year 2021	1,625
Fiscal year 2022	1,620
Thereafter	9,547
Total	$ 17,739

(8) Prepaid Expenses and Other Current Assets and Other Current Liabilities

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 30, 2017	December 31, 2016
Prepaid expenses	$ 946	$ 1,021
Federal income tax receivable	2,500	—
Prepaid gift card expenses	672	387
Inventories	216	226
Total	$ 4,334	$ 1,634

Other current liabilities consisted of the following (in thousands):

	December 30, 2017	December 31, 2016
Accrued payroll and bonuses	$ 4,192	$ 3,880
Current portion of deferred revenues	1,795	1,547
Gift card liability	2,074	936
Taxes payable	163	895
Other accrued liabilities	2,459	1,983
Total	$ 10,683	$ 9,241

(9) Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act, (the "TCJA") was enacted. The TCJA includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate tax rate from 35% to 21% , for tax years beginning after December 31, 2017. We recorded a benefit of $5.5 million in deferred income tax expense for the remeasurement of our net deferred tax liability at the 21% tax rate. The TCJA also provides for acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes beginning in 2018, including additional limitations on deductibility of executive compensation and employee meal benefits.

The $5.5 million benefit represents what we believe is the impact of the TCJA. As the benefit is based on currently available information and interpretations, which are continuing to evolve, the benefit should be considered provisional. We will continue to analyze additional information and guidance related to the TCJA as supplemental legislation, regulatory guidance, or evolving technical interpretations become available. The final impacts may differ from the recorded amounts as of December 31, 2017, and we will continue to refine such amounts within the measurement period provided by Staff Accounting Bulletin No. 118. We expect to complete our analysis no later than the fourth quarter of 2018.

Income tax expense (benefit) for the fiscal years 2017 , 2016 and 2015 consists of the following (in thousands):

	Fiscal Year		
	December 30, 2017	December 31, 2016	December 26, 2015
Current expense			
Federal	$ 6,204	$ 8,854	$ 5,813
State	800	847	736
Foreign	346	132	236
Deferred expense (benefit)			
Federal	(3,645)	(662)	(802)
State	140	(52)	(244)
Income tax expense	$ 3,845	$ 9,119	$ 5,739

A reconciliation of income tax at the United States federal statutory tax rate (using a statutory tax rate of 35%) to income tax expense for fiscal years 2017 , 2016 and 2015 in dollars is as follows (in thousands):

	Fiscal Year		
	December 30, 2017	December 31, 2016	December 26, 2015
Expected income tax expense at statutory rate	$ 10,902	$ 8,594	$ 5,546
Tax Act impact on deferred taxes	(5,473)	—	—
Permanent differences	(2,300)	92	64
State tax expense, net of federal benefit	616	395	544
Foreign tax expense	347	132	236
Foreign tax credits	(347)	(132)	(236)
Increase in unrecognized tax benefit	114	185	104
Valuation allowance	—	—	(317)
Other	(14)	(147)	(202)
Income tax expense	$ 3,845	$ 9,119	$ 5,739

The components of deferred tax assets (liabilities) are as follows (in thousands):

	December 30, 2017	December 31, 2016
Deferred tax assets:		
Deferred revenue	$ 1,403	$ 3,394
Accrued bonus	53	706
Property and equipment	—	136
Stock based compensation	607	818
Deferred rent	270	453
Intangible assets	191	593
Other	157	248
Net operating loss carryforwards and credits	443	443
Valuation allowance	(482)	(482)
	2,642	6,309
Deferred tax liabilities:		
Intangible assets	(11,302)	(18,613)
Property and equipment	(139)	—
	(11,441)	(18,613)
Net deferred tax liability	$ (8,799)	$ (12,304)

The Company had a state net operating loss carry-forward of $23.3 million at December 30, 2017 and December 31, 2016 . The state net operating loss carry forwards begin to expire in 2030.

As of December 30, 2017 , the Company had a valuation allowance of $482,000 against its deferred tax assets. In assessing whether a deferred tax asset will be realized, the Company considers whether it is more likely than not that some portion, or all of the deferred tax assets will not be realized. The Company considers the reversal of existing taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not we will realize a portion of the benefits of the federal and state deductible differences with the exception of $39,000 and $443,000 , respectively.

As of December 31, 2016 , the Company had not recognized a deferred tax asset for excess tax benefits of $4.3 million related to net operating losses that result from excess stock-based compensation. Beginning in 2017, losses resulting from excess stock-based compensation are recognized immediately as a result of the adoption of ASU 2016-09.

The Company files income tax returns, which are periodically audited by various federal and state jurisdictions. The Company was not subject to federal or state tax examinations prior to 2009. In fiscal 2013 the Internal Revenue Service (“IRS”) commenced an examination of the Company’s U.S. income tax returns for fiscal 2010 and 2011, which was subsequently settled and closed.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance as of December 27, 2014	$	129
Additions for tax positions of prior years		—
Subtractions for tax positions of prior years		—
Additions for tax positions of current year		336
Subtractions for tax positions of current year		—
Balance as of December 26, 2015		465
Additions for tax positions of prior years		—
Subtractions for tax positions of prior years		—
Additions for tax positions of current year		137
Subtractions for tax positions of current year		—
Balance as of December 31, 2016		602
Additions for tax positions of prior years		—
Subtractions for tax positions of prior years		—
Additions for tax positions of current year		78
Subtractions for tax positions of current year		—
Balance as of December 30, 2017	$	680

The Company currently anticipates that none of the $680,000 of unrecognized tax benefits will be recognized as of December 30, 2017 .

As of December 30, 2017 and December 31, 2016 , the accrued interest and penalties on the unrecognized tax benefits were $151,000 and $116,000 , respectively, excluding any related income tax benefits. The Company recorded accrued interest related to the unrecognized tax benefits and penalties as a component of the provision for income taxes recognized in the Consolidated Statement of Operations.

(10) Debt Obligations

Long-term debt consists of the following components (in thousands):

	December 30, 2017		December 31, 2016	
Term loan	$	64,750	$	68,250
Revolving credit facility		69,000		83,000
Debt issuance costs		(409)		(533)
Less: current portion of debt		(3,500)		(3,500)
Long-term debt, net	$	129,841	$	147,217

On June 30, 2016, the Company entered into a $180.0 million new senior secured credit facility (the “2016 Facility”), which replaced the Company’s second amended and restated credit facility dated March 18, 2015 (the “2015 Facility”). The 2016 Facility includes a term loan facility in an aggregate amount of $70.0 million and a revolving credit facility up to an aggregate amount of $110.0 million . The Company used the proceeds from the 2016 Facility and cash on hand to refinance $85.5 million of indebtedness under the 2015 Facility and to pay a dividend of $83.3 million to its shareholders. Borrowings under the term loan facility bear interest, payable quarterly, at our option, at the base rate plus a margin (1.00% to 2.00% , dependent on the Company’s reported leverage ratio) or LIBOR plus a margin (2.00% to 3.00% , dependent on the Company’s reported leverage ratio). The 2016 Facility matures in June 2021 . As of December 30, 2017 and December 31, 2016 , the term loan facility had an outstanding balance of $64.8 million and $68.3 million , respectively, which bears interest at 3.69% and 3.27% , respectively. During the fiscal year ended December 30, 2017 , the Company made payments on the term loan totaling $3.5 million .

The revolving credit facility bears interest, payable quarterly, at our option, at the base rate plus a margin or LIBOR plus a margin, with all unpaid amounts due at maturity in June 2021 . Any unused portion of the revolving credit facility bears a commitment fee (0.375% to 0.50% , dependent on the Company’s reported leverage ratio). As of December 30, 2017 and December 31, 2016 , the revolving credit facility had an outstanding balance of $69.0 million and $83.0 million , respectively, which bears interest at 3.69% and 3.27% , respectively. During the fiscal year ended December 30, 2017 , the Company made payments on the revolving credit facility totaling $17.5 million and borrowings on the revolving credit facility of $3.5 million . During the fiscal year ended December 31, 2016 , the Company made payments on the revolving credit facility totaling $12.0 million .

In conjunction with the 2016 Facility, the Company evaluated the refinancing of the 2015 Facility and determined $90.0 million was accounted for as a debt modification and $90.0 million was new debt issuance. The Company incurred $1.3 million in financing costs of which $0.1 million was expensed and $1.2 million was capitalized and is being amortized using the effective interest rate method. Previously capitalized financing costs of $0.2 million were expensed as a result of the refinancing during the current period.

In March 2015 , the Company amended and restated the senior secured credit facility. In connection with the 2015 Facility, the facility size was increased from $107.5 million to $137.5 million and was comprised of a $132.5 million term loan and a $5.0 million revolving credit facility. The Company used a portion of the proceeds from the 2015 Facility and cash on hand to pay a dividend of $48.0 million to its shareholders. Borrowings under the facility bore interest, payable quarterly, at our option, at the base rate plus a margin (1.50% to 2.25% , dependent on the Company's reported leverage ratio) or LIBOR plus a margin (2.50% to 3.25% , dependent on our reported leverage ratio). The 2015 Facility had a maturity date of March 2020 .

In conjunction with the 2015 Facility, the Company evaluated the refinancing of the amended facility and determined substantially all of the $132.5 million was accounted for as a debt modification. The Company incurred $728,000 in financing costs of which $528,000 was expensed and $200,000 was capitalized.

In June 2015, in connection with the IPO, the Company used a portion of the IPO proceeds to make a $32.0 million prepayment of the outstanding principle balance of the 2015 Facility. As a result of the prepayment, the Company expensed $172,000 of previously capitalized financing costs, which are included in Other (income) expense in the Consolidated Statements of Operations.

The credit facility is secured by substantially all assets of the Company and requires compliance with certain financial and non-financial covenants. As of December 30, 2017 , the Company was in compliance with all financial covenants.

As of December 30, 2017 , the scheduled principle payments on debt were as follows (in thousands):

Fiscal year 2018	$	3,500
Fiscal year 2019		2,625
Fiscal year 2020		3,500
Fiscal year 2021		124,125
Total	$	133,750

(11) Commitments and Contingencies

WRI leases certain office and retail space and equipment under non-cancelable operating leases with terms expiring at various dates through July 2032 .

A schedule of future minimum rental payments required under our operating leases, excluding contingent rent, that have initial or remaining non-cancelable lease terms in excess of one year, as of December 30, 2017 , is as follows (in thousands):

Fiscal year 2018	$	1,783
Fiscal year 2019		1,561
Fiscal year 2020		1,436
Fiscal year 2021		1,282
Fiscal year 2022		1,226
Thereafter		4,037
Total	$	11,325

Rent expense under cancelable and non-cancelable leases was $2.0 million , $1.9 million , and $2.0 million for the fiscal years ended December 30, 2017 , December 31, 2016 , and December 26, 2015 , respectively.

The Company is subject to legal proceedings, claims and liabilities, such as employment-related claims and other cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions should not have a material adverse impact on financial position, results of operations or cash flows.

Many of the food products the Company purchases are subject to changes in the price and availability of food commodities, including chicken. The Company works with its suppliers and uses a mix of forward pricing protocols for certain items under which we agree with our supplier on fixed prices for deliveries at some time in the future, fixed pricing protocols under which we agree on a fixed price with our supplier for the duration of that protocol, and formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices.

The Company's use of any forward pricing arrangements varies substantially from time to time and these arrangements tend to cover relatively short periods (i.e., typically twelve months or less). Such contracts are used in the normal purchases of our food products and not for speculative purposes, and as such are not required to be evaluated as derivative instruments. The Company does not enter into futures contracts or other derivative instruments.

(12) Employee Benefit Plan

The Company sponsors a 401(k) profit sharing plan for all employees who are eligible based upon age and length of service. The Company made matching contributions of approximately $450,000 , $425,000 and $332,000 for fiscal years 2017 , 2016 and 2015 , respectively.

(13) Stock-Based Compensation

In connection with the IPO, the Wingstop Inc. 2015 Omnibus Equity Incentive Plan, or the 2015 Plan, was adopted and became effective upon completion of the offering. The 2015 Plan provides for the grant or award of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance unit awards, performance share awards, cash-based awards and other stock-based awards to employees, directors, and other eligible persons. Under the 2015 Plan, Wingstop had 2,143,589 shares authorized for issuance, 263,876 shares of common stock issuable upon exercise of currently outstanding options or vesting of restricted stock awards, and 1,871,698 shares available for future grants as of December 30, 2017 .

The options and restricted stock awards granted under the 2015 Plan are subject to either service-based or performance-based vesting. Service-based options contain a service-based, or time-based, vesting provision. Performance-based options contain performance-based vesting provisions based on the Company meeting certain Adjusted EBITDA profitability targets for each fiscal year during the vesting period. In the event of a change in control of the Company (as defined in the 2015 Plan), each outstanding award will be treated as the compensation committee determines, either by the terms of the award agreement or by resolution adopted by the compensation committee, including without limitation, that the awards may be vested, assumed replaced with substitute awards, cashed-out or terminated.

Additionally, Wingstop had previously adopted the 2010 Stock Option Plan, or the 2010 Plan, which permits the granting of awards to employees, directors and other eligible persons of the Company in the form of stock options. The Plan is administered by Wingstop's Board of Directors. The options granted under the 2010 Plan are generally exercisable within a 10 -year period from the date of grant.

Under the 2010 Plan, options are subject to either service-based or performance-based vesting. Service-based options contain a service-based, or time-based, vesting provision. Performance-based options contain performance-based vesting provisions based on the Company meeting certain Adjusted EBITDA profitability targets for each fiscal year during the vesting period. Any options that have not vested prior to a change of control or do not vest in connection with a change of control or do vest but are not exercised will be forfeited by the grantee upon a change of control for no consideration. The IPO in June 2015 was not considered a change of control event as defined in the 2010 Plan. Options issued and outstanding expire on various dates up to fiscal year 2025 .

Under the 2010 Plan, Wingstop had 3,304,115 shares authorized for issuance. There are 350,063 shares of common stock issuable upon exercise of currently outstanding options, and 456,407 shares available for future grants at December 30, 2017 .

Stock Options

The following table summarizes stock option activity (in thousands, except per share data):

	Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Term
Outstanding - December 27, 2014	1,466	$ 3.74	$ 7,551	8.0
Granted	106	16.75		
Exercised	(329)	1.45		
Canceled	(66)	1.17		
Outstanding - December 26, 2015	1,177	4.66	$ 21,059	7.7
Granted	36	24.34		
Exercised	(166)	2.92		
Canceled	(192)	5.99		
Outstanding - December 31, 2016	855	5.14	$ 20,905	6.8
Granted	—	—		
Exercised	(326)	4.04		
Canceled	(109)	7.23		
Outstanding - December 30, 2017	420	$ 5.45	$ 14,068	5.7

The total grant-date fair value of stock options vested during each of the fiscal years 2017 , 2016 and 2015 was $1.0 million , $1.0 million and $0.7 million , respectively. The total intrinsic value of stock options exercised was $8.1 million , $3.8 million and $3.0 million for fiscal years 2017 , 2016 and 2015 , respectively.

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). The Company recognized approximately $1.9 million , $1.2 million and $1.2 million in stock compensation expense for fiscal years 2017 , 2016 and 2015 , respectively, with a corresponding increase to additional paid-in-capital. Stock compensation expense is included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

A summary of the status of non-vested shares as of December 30, 2017 and the changes during the period then ended is presented below (in thousands, except per share data):

	December 30, 2017	
	Shares	Weighted average grant-date fair value
Non-vested shares at beginning of year	500	$ 7.19
Granted	—	$ —
Vested	(220)	$ 5.33
Forfeited	(109)	$ 7.23
Non-vested shares at end of year	171	$ 9.54

As of December 30, 2017 , there was $0.8 million of total unrecognized stock compensation expense related to non-vested stock options and restricted stock awards, which will be recognized over a weighted average period of approximately 1.5 years .

The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. Expected volatilities are based on volatilities from publicly traded companies operating in the Company's industry. The Company uses historical data to estimate expected employee forfeiture of stock options. The expected life of options granted is management's best estimate using recent and expected transactions. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted-average assumptions used in the model were as follows:

	2016	2015
Risk-free interest	1.44%	1.96%
Expected life (years)	6.2	6.5
Expected dividend yield	0%	0%
Volatility	52.0%	52.0%
Weighted-average Black-Scholes fair value per share at date of grant	$ 13.74	$ 8.87

The Company used the simplified method for determining the expected life of the options. In addition, assumptions made regarding forfeitures in determining the remaining unamortized share-based compensation are re-evaluated periodically.

Restricted Stock Units and Performance Stock Units

The following table summarizes activity related to restricted stock units and performance stock units (in thousands, except per share data):

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance Stock Units	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2016	—	$ —	—	$ —
Granted	105	27.02	94	27.52
Released	—	—	—	—
Canceled	(11)	26.30	(8)	26.30
Outstanding - December 30, 2017	94	$ 27.11	86	$ 27.63

The fair value of restricted stock units and performance stock units is based on the closing price on the date of grant. The restricted stock units granted during fiscal year 2017 vest over a three year service period. As of December 30, 2017 , total unrecognized compensation expense related to unvested restricted stock units was $1.9 million which is expected to be recognized over a weighted-average period of 2.2 years .

The performance stock units vest based on the outcome of certain performance criteria. For performance stock units granted during fiscal year 2017 , the amount of units that can be earned range from 0% to 100% of the number of performance awards granted, based on the achievement of certain adjusted EBITDA targets, as defined by the plan, over a performance period of one to three years. The compensation expense related to the performance stock units is recognized over the vesting period when the achievement of the performance conditions become probable. As of December 30, 2017 , total unrecognized compensation expense related to unvested performance stock units was $1.4 million , which is expected to be recognized over a weighted-average period of 2.2 years .

Restricted Stock Awards

The following table summarizes activity related to restricted stock awards (in thousands, except per share data):

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2016	12	$ 25.59
Granted	10	29.68
Released	(4)	26.06
Canceled	(3)	27.62
Outstanding - December 30, 2017	15	$ 27.89

The fair value of the non-vested restricted stock awards is based on the closing price on the date of grant. As of December 30, 2017 , total unrecognized compensation expense related to unvested restricted stock awards was $0.3 million , which will be recognized over a weighted average period of approximately 2.2 years .

Strike Price Reduction

During 2016 , the Board of Directors authorized a dividend in the amount of $2.90 per share, or $83.3 million . In connection with the declaration and payment of the dividend, the exercise price of some of the outstanding options on July 12, 2016 was reduced by an amount of $2.90 per share. During 2015 , the Board of Directors authorized a dividend in the amount of $1.83 per share or $48.0 million . In connection with the declaration and payment of the dividend, the exercise price of some of the outstanding options on March 27, 2015 was reduced by an amount of $1.83 per share. At each dividend date, management evaluated the option modification for incremental compensation expense and calculated $94,000 and $537,000 of total incremental compensation for the modifications during fiscal years 2016 and 2015 , respectively.

(14) Restaurant Acquisition

On July 16, 2017 , the Company acquired two existing Wingstop restaurants from a franchisee. The total purchase price was $3.9 million and was paid in cash funded by operations and proceeds from our revolving credit facility. The results of operations of these locations are included in our Consolidated Statements of Operations since the date of acquisition. The acquisition was accounted for as a business combination.

The following table summarizes the final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, inclusive of adjustments made during the measurement period (in thousands):

	Final Purchase Price Allocation
Inventory	$ 16
Property and equipment	183
Reacquired franchise rights	2,323
Goodwill	1,429
Gift card liability	(2)
Total purchase price	$ 3,949

The excess of the purchase price over the aggregate fair value of assets acquired was allocated to goodwill and is attributable to the benefits expected as a result of the acquisition, including sales and growth opportunities. As of December 30, 2017 , $1.4 million of the goodwill from the acquisition is expected to be deductible for federal income tax purposes.

Pro-forma financial information of the combined entities is not presented due to the immaterial impact of the financial results of the acquired restaurants on our consolidated financial statements.

The fair value measurement of tangible and intangible assets and liabilities as of the acquisition date is based on significant inputs not observed in the market and thus represents a Level 3 fair value measurement. Fair value measurements for reacquired franchise rights were determined using the income approach. Fair value measurements for property and equipment were determined using the cost approach.

(15) Related Party Transactions

The Company was party to a management agreement with Roark Capital Management, LLC, or Roark Capital Management, an affiliate of Wingstop's former majority shareholder (prior to the secondary offering completed in March, 2016). Pursuant to this management agreement, Roark Capital Management agreed to provide the Company with advice concerning finance, strategic planning and other services. In June 2015 , the Company paid a one-time fee to Roark Capital Management in consideration for the termination of our management agreement of $3.3 million . The Company paid Roark Capital Management fees and expense reimbursement totaling $3.5 million for the fiscal year ended December 26, 2015 , inclusive of the termination fee.

(16) Business Segments

Information on segments and a reconciliation to income (loss) before taxes are as follows (in thousands):

	Fiscal Year		
	December 30, 2017	December 31, 2016	December 26, 2015
Revenue:			
Franchise segment	$ 68,483	$ 57,071	$ 46,688
Company segment	37,069	34,288	31,281
Total segment revenue	$ 105,552	$ 91,359	$ 77,969
Segment Profit:			
Franchise segment	$ 31,637	$ 25,850	$ 19,701
Company segment	4,643	5,526	5,737
Total segment profit	36,280	31,376	25,438
Corporate and other [(1)]	—	2,173	5,720
Interest expense, net	5,131	4,396	3,477
Other (income) expense, net	—	254	396
Income before taxes	$ 31,149	$ 24,553	$ 15,845
Depreciation and amortization:			
Franchise segment	$ 2,220	$ 2,092	$ 1,812
Company segment	1,156	916	870
Total depreciation and amortization	3,376	3,008	2,682
Capital expenditures:			
Franchise segment	$ 864	$ 387	$ 1,308
Company segment [(2)]	1,671	1,669	607
Total capital expenditures	$ 2,535	$ 2,056	$ 1,915

[(1)] Corporate and other includes corporate related items not allocated to reportable segments and consists primarily of transaction costs associated with the refinancings of our credit agreement and our public offerings, and management fees (discussed in Note 15).
[(2)] Company segment excludes capital expenditures related to the acquisition of restaurants from franchisees (discussed in Note 14).

Information on segment assets and a reconciliation to consolidated assets are as follows (in thousands):

	As of	
	December 30, 2017	December 31, 2016
Segment assets:		
Franchise segment	$ 98,069	$ 94,889
Company segment	14,166	9,864
Total segment assets	112,235	104,753
Corporate and other [(3)]	7,601	7,047
Total assets	$ 119,836	$ 111,800

[(3)] Corporate and other includes corporate related items not allocated to reportable segments and consists primarily of cash and cash equivalents, advertising fund restricted assets and capitalized costs associated with the issuance of indebtedness.

Segment goodwill:				
Franchise segment	$	39,930	$	39,930
Company segment		6,627		5,198
Total goodwill	$	46,557	$	45,128

(17) Quarterly Financial Data (unaudited)

The following tables set forth certain unaudited consolidated financial information for each of the four quarters in 2017 and 2016 (in thousands, except per share data):

	Quarter Ended							
	December 30, 2017	September 30, 2017	July 1, 2017	April 1, 2017	December 31, 2016 [(1)]	September 24, 2016	June 25, 2016	March 26, 2016
Total revenue	$ 28,285	$ 26,026	$ 24,672	$ 26,569	$ 24,752	$ 21,810	$ 22,723	$ 22,074
Operating income	9,404	9,178	8,747	8,952	8,255	6,080	7,240	7,628
Net income	10,497	5,012	5,266	6,530	4,312	2,753	4,079	4,290
Earnings per share								
Basic	$ 0.36	$ 0.17	$ 0.18	$ 0.23	$ 0.15	$ 0.10	$ 0.14	$ 0.15
Diluted	$ 0.36	$ 0.17	$ 0.18	$ 0.22	$ 0.15	$ 0.09	$ 0.14	$ 0.15
Weighted average shares outstanding								
Basic	29,094	29,081	29,032	28,895	28,745	28,725	28,646	28,586
Diluted	29,459	29,384	29,394	29,336	29,114	29,014	28,989	28,967

(1) Fiscal 2016 consisted of 53 calendar weeks, with the fourth quarter containing 14 calendar weeks.

(18) Subsequent Events

Debt Recapitalization and Special Dividend

On January 30, 2018, the Company entered into an amended senior secured credit facility (the “2018 Facility”), which replaced the 2016 Facility. The 2018 Facility includes a term loan facility in an aggregate amount of $100.0 million and a revolving credit facility up to an aggregate amount of $150.0 million . The Company used the proceeds from the 2018 Facility to refinance $133.8 million of indebtedness under the 2016 Facility and to pay a dividend of approximately $95 million to its shareholders. Borrowings under the facility bear interest, payable quarterly, at our option, at the base rate plus a margin (0.75% to 1.75% , dependent on the Company’s reported leverage ratio) or LIBOR plus a margin (1.75% to 2.75% , dependent on the Company’s reported leverage ratio). The 2018 Facility matures in January 2023.

On January 30, 2018, the Board of Directors of the Company declared a special cash dividend of $3.17 per share payable on February 14, 2018 to its holders of common stock of record as of February 9, 2018.

Restaurant Acquisition

On February 19, 2018, the Company acquired an existing restaurant from a franchisee. The total purchase price was $1.9 million and was paid in cash funded by operations and proceeds from our revolving credit facility. The acquisition will be accounted for as a business combination. The Company is still determining the estimated fair value of assets acquired and liabilities assumed. The excess of the purchase price over the aggregate fair value of assets acquired will be allocated to goodwill. The results of operations of these locations will be included in our consolidated statements of earnings as of the date of acquisition.

BYLAWS OF
WINGSTOP INC.

ARTICLE 1 - OFFICES

Section 1.1. Registered Office .

The registered office of Wingstop Inc., a Delaware corporation (the " Corporation "), shall be in the County of New Castle, State of Delaware.

Section 1.2. Other Offices .

The Corporation may also have offices at such other places, either within or outside of the State of Delaware, as the Board of Directors of the Corporation (the " Board of Directors ") may from time to time determine or as the business of the Corporation may require.

ARTICLE 2 - STOCKHOLDERS

Section 2.1. Annual Meeting .

An annual meeting of the stockholders of the Corporation for the election of directors to succeed those whose term expires and for the transaction of such other business as may properly come before the meeting shall be held at the place, if any, within or outside of the State of Delaware, on the date and at the time that the Board of Directors shall each year fix. Unless stated otherwise in the notice of the annual meeting of the stockholders of the Corporation, such annual meeting shall be at the principal office of the Corporation.

Section 2.2. Advance Notice of Nominations and Proposals of Business .

(a) *Business at Annual Meetings of Stockholders* .

(i) Only such business (other than nominations of persons for election to the Board of Directors, which must be made in compliance with and is governed exclusively by Section 2.2(b) of these Bylaws) shall be conducted at an annual meeting of the stockholders as shall have been brought before the meeting (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) by or at the direction of the Board of Directors, or (C) by any stockholder of the Corporation who (1) was a stockholder of record at the time of giving of notice provided for in this Section 2.2(a) and at the time of the meeting, (2) is entitled to vote at the meeting and (3) complies with the notice procedures set forth in this Section 2.2(a). For the avoidance of doubt, the foregoing clause (C) of this Section 2.2(a)(i) shall be the exclusive means for a stockholder to propose such business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 (or any provision of law subsequently replacing Rule 14a-8) under the Securities Exchange Act of 1934, as amended (the " Exchange Act ")) before an annual meeting of stockholders.

(ii) For business (other than nominations of persons for election to the Board of Directors, which must be made in compliance with and is governed exclusively by Section 2.2(b) of these Bylaws) to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form as described in Section 2.2(a)(iii) to the Secretary of the Corporation and such business must otherwise be appropriate for stockholder action under the provisions of the General Corporation Law of the State of Delaware (the " DGCL "). To be timely, a stockholder's notice for such business must be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation in proper written form not less than ninety (90) days and not more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that if and only if the annual meeting is not held within a period that commences thirty (30) days before such anniversary date and ends seventy (70) days after such anniversary date, such stockholder's notice must be delivered not earlier than one hundred and twenty (120) days prior to the annual meeting and not later than the later of (A) the tenth day following the day of the Public Announcement (as defined in Section 2.2(g) below) of the date of the annual meeting or (B) the date which is ninety (90) days prior to the date of the annual meeting. In no event shall any adjournment, deferral, postponement or recess of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iii) To be in proper written form, a stockholder's notice to the Secretary of the Corporation shall set forth as to each matter of business the stockholder proposes to bring before the annual meeting (A) a brief description of the business desired to be brought before the annual meeting (including the specific text of any resolutions or actions proposed for consideration and if such business includes a proposal to amend the Corporation's Certificate of Incorporation or these Bylaws, the specific language of the proposed amendment) and the reasons for conducting such business at the annual meeting, (B) the name and address of the stockholder proposing such business, as they appear on the Corporation's books, the residence name and address (if different from the Corporation's books) of such proposing stockholder, and the name and address of any Stockholder Associated Person (as defined in Section 2.2(g) below) covered by clauses (C) – (H), (J) and (K) below, (C) the class or series and number of shares of stock of the Corporation that are directly or indirectly held of record or beneficially owned by such stockholder or by any Stockholder Associated Person with respect to the Corporation's securities, a description of any Derivative Positions (as defined in Section 2.2(g) below) directly or indirectly held or beneficially held by the stockholder or any Stockholder Associated Person, and whether and the extent to which a Hedging Transaction (as defined in Section 2.2(g) below) has been entered into by or on behalf of such stockholder or any Stockholder Associated Person, (D) any rights to dividends on the shares of any class or series of shares of the Corporation beneficially owned by such proposing stockholder or any Stockholder Associated Person that are separated or separable from the underlying shares of the Corporation, (E) any material pending or threatened legal proceeding in which such proposing stockholder or any Stockholder Associated Person is a party or material participant involving the Corporation or any of its officers or directors, or any Affiliate (as defined in Section 2.2(g) below) of the Corporation, (F) any direct or indirect material interest in any material contract or agreement of such proposing stockholder or any Stockholder Associated Person with the Corporation, any Affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (G) a description of all other agreements, arrangements or understandings between such stockholder or any Stockholder Associated Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder and any other material interest of such stockholder, any Stockholder Associated Person or such other person or entity in such business, (H) a summary of any material discussion regarding the business proposed to be brought before the meeting between such stockholder or any Stockholder Associated Person, on the one hand, and any other record holder or beneficial owner of the shares of any class or series of the Corporation (including their names), on the other hand, (I) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting, (J) any other information related to such stockholder or any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies or consents (even if a solicitation is not involved) by such stockholder or Stockholder Associated Person in support of the business proposed to be brought before the meeting pursuant to Section 14 (or any provision of law subsequently replacing Section 14) of the Exchange Act, and the rules and regulations promulgated thereunder and (K) a representation as to whether such stockholder or any Stockholder Associated Person intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding shares required to approve the proposal or otherwise to solicit proxies from stockholders in support of the proposal. In addition, any stockholder who submits a notice pursuant to this Section 2.2(a) is required to update and supplement the information disclosed in such notice, if necessary, in accordance with Section 2.2(d).

Notwithstanding anything in these Bylaws to the contrary, no business (other than nominations of persons for election to the Board of Directors, which must be made in compliance with and is governed exclusively by Section 2.2(b) of these Bylaws) shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2.2(a). At an annual meeting, the chairman of the meeting shall determine, if the facts warrant, that business was not properly brought before the meeting and in accordance with the provisions prescribed by these Bylaws, and if the chairman should so determine, the chairman shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

(b) *Nominations at Annual Meetings of Stockholders.*

(i) Only persons who are nominated in accordance and compliance with the procedures set forth in this Section 2.2(b) of these Bylaws shall be eligible for election to the Board of Directors at an annual meeting of stockholders.

(ii) Nominations of persons for election to the Board of Directors of the Corporation may be made at an annual meeting of stockholders only (A) by or at the direction of the Board of Directors or (B) by any stockholder of the Corporation who (1) was a stockholder of record at the time of giving of notice provided for in this Section 2.2(b)(ii) and at the time of the meeting, (2) is entitled to vote at the meeting and (3) complies with the notice procedures set forth in this Section 2.2(b)(ii). For the avoidance of doubt, clause (B) of this Section 2.2(b)(ii) shall be the exclusive means for a stockholder to make nominations of persons for election to the Board of Directors at an annual meeting of stockholders. Any nominations by stockholders at an annual meeting of stockholders shall be made pursuant to timely notice in proper written form as described in Section 2.2(b)(iii) to the Secretary of the Corporation. To be timely, a stockholder's notice for the nomination of persons for election to the Board of Directors must be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation in proper written form not less than ninety (90) days and not more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that if and only if the annual meeting is not held within a period that commences thirty (30) days before such anniversary date and ends seventy (70) days after such anniversary date, such stockholder's notice must be delivered not earlier than one hundred and twenty (120) days prior to the annual meeting and not later than the later of (C) the tenth day following the day of the Public Announcement of the date of the annual meeting or (D) the date which is ninety (90) days prior to the date of the annual meeting. In no event shall any adjournment, deferral, postponement or recess of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iii) To be in proper written form, a stockholder's notice to the Secretary of the Corporation shall

(A) as to each person whom the stockholder proposes to nominate for election or reelection as a director of the Corporation, set forth (1) the name, age, business address and residence address of the proposed nominee, (2) the principal occupation or employment of the proposed nominee, (3) the class or series and number of shares of capital stock of the Corporation that are directly or indirectly beneficially owned or of record by the proposed nominee, (4) the date such shares were acquired and the investment intent of such acquisition, (5) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the stockholder giving the notice or any Stockholder Associated Person, on the one hand, and each proposed nominee, and his or her respective Affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 (or any provision of law subsequently replacing Item 404) promulgated under Regulation S-K if the stockholder making the nomination or any Stockholder Associated Person on whose behalf the nomination is made, or any Affiliate or associate thereof or person acting in concert therewith, were the " *registrant* " for purposes of such rule and the proposed nominee were a director or executive officer of such registrant, and (6) any other information relating to the proposed nominee that (a) would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies or consents for a contested election of directors (even if an election contest or proxy solicitation is not involved), or is otherwise required, pursuant to Section 14 (or any provision of law subsequently replacing Section 14) of the Exchange Act, and the rules and regulations promulgated thereunder (including such proposed nominee's written consent to being named in the proxy statement as a nominee, if applicable, and to serving if elected) or (b) the Corporation believes could be material to a reasonable stockholder's understanding of the independence (both from management and from the stockholder or, if the proposal is made on behalf of a Stockholder Associated Person other than the stockholder of record, from such Stockholder Associated Person), or lack thereof, or qualifications of such proposed nominee;

(B) with respect to each proposed nominee for election or reelection to the Board, be accompanied by (1) a written statement executed by the proposed nominee acknowledging as a director of the Corporation, the proposed nominee will owe a fiduciary duty under Delaware law with respect to the Corporation and its stockholders, (2) a written questionnaire with respect to the background and qualifications of such proposed nominee and the background of any other Stockholder Associated Person on whose behalf the nomination is being made (the proposed nominee shall request such form from the Secretary of the Corporation, and the Secretary of the Corporation shall provide such form no later than 10 days following such request), and (3) a written representation and agreement (the proposed nominee shall request such form from the Secretary of the Corporation and the Secretary of the Corporation shall provide such form no later than 10 days following such request) that such proposed nominee (a) is not and will not become a party to (i) any agreement, arrangement or understanding (whether written or oral) with, and has not given any commitment or assurance to, any Stockholder Associated Person as to how such proposed nominee, if elected as a director of the Corporation, will act or vote in such capacity on any issue or question (a " Voting Commitment ") that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding (whether written or oral) with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation that has not been disclosed to the Corporation, (c) in such proposed nominee's individual capacity and on behalf of any Stockholder Associated Person on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable law and all applicable rules of the U.S. exchanges upon which the common stock of the Corporation is listed and all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and other guidelines of the Corporation, (d) in such proposed nominee's individual capacity and on behalf of any Stockholder Associated Person on whose behalf the nomination is being made, intends to serve a full term if elected as a director of the Corporation and (e) will provide facts, statements and other information in all communications with the Corporation and its stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(C) as to the stockholder giving the notice, set forth (1) the name and address of such stockholder, as they appear on the Corporation's books, the residence name and address (if different from the Corporation's books) of such proposing stockholder, and the name and address of any Stockholder Associated Person covered by clauses (2) – (6), (8) and (9) below, (2) the class and number of shares of stock of the Corporation that are directly or indirectly held of record or beneficially owned by such stockholder or by any Stockholder Associated Person with respect to the Corporation's securities, a description of any Derivative Positions directly or indirectly held or beneficially held by the stockholder or any Stockholder Associated Person, and whether and the extent to which a Hedging Transaction has been entered into by or on behalf of such stockholder or any Stockholder Associated Person, (3) any rights to dividends on the shares of any class or series of shares of the Corporation owned beneficially by such stockholder or any Stockholder Associated Person that are separated or separable from the underlying shares of the Corporation, (4) any material pending or threatened legal proceeding in which such stockholder or any Stockholder Associated Person is a party or material participant involving the Corporation or any of its officers or directors, or any Affiliate of the Corporation, (5) any direct or indirect material interest in any material contract or agreement of such stockholder or any Stockholder Associated Person with the Corporation, any Affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (6) a description of all other agreements, arrangements or understandings (including financial transactions and direct or indirect compensation) between such stockholder or any Stockholder Associated Person and each proposed nominee and any other person or entity (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (7) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (8) any other information relating to such stockholder or any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies or consents for a contested election of directors (even if an election contest or proxy solicitation is not involved), or otherwise required, pursuant to Section 14 (or any provision of law subsequently replacing Section 14) of the Exchange Act, and the rules and regulations promulgated thereunder, and (9) a representation as to whether such stockholder or any Stockholder Associated Person intends to deliver a proxy statement or form of proxy to the holders of a sufficient number of the Corporation's outstanding shares to elect each proposed nominee or otherwise to solicit proxies from stockholders in support of the nomination. In addition, any stockholder who submits a notice pursuant to this Section 2.2(b) is required to update and supplement the information disclosed in such notice, if necessary, in accordance with Section 2.2(d). At an annual meeting, the chairman of the meeting shall determine, if the facts warrant, that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded.

(iv) Notwithstanding anything in the fourth sentence of Section 2.2(b)(ii) of these Bylaws to the contrary, if the number of directors to be elected to the Board of Directors is increased and there is no Public Announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by Section 2.2(b)(ii) of these Bylaws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the tenth day following the day on which such Public Announcement is first made by the Corporation.

(c) *Special Meetings of Stockholders* . Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Subject to Section 2.2(e) of these Bylaws, only persons who are nominated in accordance and compliance with the procedures set forth in this Section 2.2(c) shall be eligible for election to the Board of Directors at a special meeting of stockholders. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting only (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors are to be elected at such special meeting, by any stockholder of the Corporation who (A) was a stockholder of record at the time of giving of notice provided for in this Section 2.2(c) and at the time of the special meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures provided for in this Section 2.2(c). For the avoidance of doubt, the foregoing clause (ii) of this Section 2.2(c) shall be the exclusive means for a stockholder to propose nominations of persons for election to the Board of Directors at a special meeting of stockholders. Any nominations by stockholders at a special meeting of stockholders shall be made pursuant to timely notice in proper written form as described in this Section 2.2(c) to the Secretary of the Corporation. To be timely, a stockholder's notice for the nomination of persons for election to the Board of Directors must be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than one hundred and twenty (120) days prior to the special meeting and not later than the later of (1) the tenth day following the day of the Public Announcement of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting or (2) the date which is ninety (90) days prior to the date of the special meeting. In no event shall any adjournment, deferral, postponement or recess of a special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. To be in proper written form, such stockholder's notice shall set forth all of the information required by, and otherwise be in compliance with the requirements of, Section 2.2(b)(iii) of these Bylaws. In addition, any stockholder who submits a notice pursuant to this Section 2.2(c) is required to update and supplement the information disclosed in such notice, if necessary, in accordance with Section 2.2(d). At a special meeting, the chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a proposal or nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective proposal or nomination shall be disregarded.

(d) *Update and Supplement of Stockholder's Notice* . Any stockholder who submits a notice of proposal for business or nomination for election pursuant to this Section 2.2 is required to update and supplement the information disclosed in such notice, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting of stockholders and as of the date that is ten (10) business days prior to such meeting of the stockholders or any adjournment, postponement or recess thereof, and such update and supplement shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting of stockholders (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting of stockholders or any adjournment, postponement or recess thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting of stockholders or any adjournment, postponement or recess thereof).

(e) *Requirements of Exchange Act* . In addition to the foregoing provisions of this Section 2.2, a stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in these Bylaws; provided, however, that any references in these Bylaws to the Exchange Act, or the rules and regulations promulgated thereunder are not intended to and shall not limit the requirements of these Bylaws applicable to nominations or proposals as to any other business to be considered pursuant to these Bylaws regardless of the stockholder's intent to utilize Rule 14a-8 (or any provision of law subsequently replacing Rule 14a-8) promulgated under the Exchange Act. Nothing in this Section 2.2 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any provision of law subsequently replacing Rule 14a-8) promulgated under the Exchange Act or (ii) of the holders of any series of preferred stock if and to the extent provided for under law, the Certificate of Incorporation or these Bylaws.

(f) *Failure to Appear* . Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) making a nomination or proposal under this Section 2.2 does not appear at a meeting of stockholders to present such nomination or proposal, the nomination shall be disregarded and the proposed business shall not be transacted, as the case may be, notwithstanding that proxies in favor thereof may have been received by the Corporation. For purposes of this Section 2.2(f), to be considered a "qualified representative of the stockholder," a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(g) *Definitions* . For purposes of these Bylaws, the term:

(i) " Affiliate " means, with respect to any person, any other person that controls, is controlled by, or is under common control with, such person; the term "control," as used in this definition, means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlled" and "controlling" have meanings correlative to the foregoing. The term "person" means an individual, any general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

(ii) "beneficial ownership" shall be determined in accordance with Rule 13d-3 (or any provision of law subsequently replacing Rule 13d-3) promulgated under the Exchange Act and "beneficial owner" has a meaning correlative to the foregoing.

(iii) " Derivative Positions " means, with respect to a stockholder or any Stockholder Associated Person, any derivative positions including, without limitation, any short position, profits interest, option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise and any performance-related fees to which such stockholder or any Stockholder Associated Person is entitled based, directly or indirectly, on any increase or decrease in the value of shares of capital stock of the Corporation;

(iv) " Hedging Transaction " means, with respect to a stockholder or any Stockholder Associated Person, any hedging or other transaction (such as borrowed or loaned shares) or series of transactions, or any other agreement, arrangement or understanding, the effect or intent of which is to increase or decrease the voting power or economic or pecuniary interest of such stockholder or any Stockholder Associated Person with respect to the Corporation's securities;

(v) " Public Announcement " means disclosure in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) (or any provision of law subsequently replacing any or all of such Sections) of the Exchange Act; and

(vi) " Stockholder Associated Person " of any stockholder means (A) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (B) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder, or (C) any person directly or indirectly controlling, controlled by or under common control with such Stockholder Associated Person.

Section 2.3. Special Meetings; Notice .

Special meetings of the stockholders of the Corporation may be called only in the manner set forth in the Certificate of Incorporation. Notice of every special meeting of the stockholders of the Corporation shall state the purpose or purposes of such meeting. Except as otherwise required by law, the business conducted at a special meeting of stockholders of the Corporation shall be limited exclusively to the business set forth in the Corporation's notice of meeting, and the individual or group calling such meeting shall have exclusive authority to determine the business included in such notice.

Section 2.4. Notice of Meetings .

Notice of the place, if any, date and time of all meetings of stockholders of the Corporation, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxy holders may be deemed present and vote at such meeting, and, in the case of all special meetings of stockholders, the purpose or purposes of the meeting, shall be given, not less than 10 nor more than 60 days before the date on which such meeting is to be held, to each stockholder entitled to notice of the meeting.

The Corporation may postpone or cancel any previously called annual or special meeting of stockholders of the Corporation by making a Public Announcement of such postponement or cancellation prior to the meeting. When a previously called annual or special meeting is postponed to another time, date or place, if any, notice of the place (if any), date and time of the postponed meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxy holders may be deemed present and vote at such postponed meeting, shall be given in conformity with this Section 2.4 unless such meeting is postponed to a date that is not more than 60 days after the date that the initial notice of the meeting was provided in conformity with this Section 2.4.

When a meeting is adjourned or recessed to another time or place, notice need not be given of the adjourned or recessed meeting if the time and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present and vote at such adjourned or recessed meeting are announced at the meeting at which the adjournment or recess is taken; provided , however , that if the adjournment or recess is for more than 30 days, a notice of the adjourned or recessed meeting shall be given to each stockholder of record entitled to vote at the meeting, or if after the adjournment or recess a new record date for stockholders entitled to vote is fixed for the adjourned or recessed meeting the Board of Directors shall fix a new record date for notice of such adjourned or recessed meeting in conformity herewith and such notice shall be given to each stockholder of record entitled to vote at such adjourned or recessed meeting as of the record date for notice of such adjourned or recessed meeting. At any adjourned or recessed meeting, any business may be transacted that may have been transacted at the original meeting.

Section 2.5. Quorum .

At any meeting of the stockholders, the presence in person or by proxy of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote at the meeting, shall be necessary and sufficient to constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number is required by applicable law, the Certificate of Incorporation, these Bylaws or the rules of any stock exchange upon which the Corporation’s securities are listed. If a separate vote by one or more classes or series is required, the holders of shares entitled to cast a majority of the total votes entitled to be cast on the matter by the holders of the shares of the class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to the vote on that matter.

Section 2.6. Organization .

The Chairman of the Board of Directors, or, in his or her absence, the person whom the Board of Directors designates or, in the absence of that person or the failure of the Board of Directors to designate a person, the President of the Corporation or, in his or her absence, the person chosen at the meeting by the vote of a majority of the stockholders entitled to vote at the meeting, shall preside over the meeting. The Secretary shall act as the secretary of the meeting, but in his or her absence, any Assistant Secretary of the Corporation or any other person the chairman appoints shall act as secretary.

Section 2.7. Conduct of Business .

The chairman of any meeting of stockholders of the Corporation shall determine the order of business and the rules of procedure for the conduct of such meeting, including the manner of voting and the conduct of discussion as he or she determines to be in order.

The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason, including, without limitation, lack of a quorum) to adjourn or recess the meeting to another place, if any, date and time, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. The chairman of the meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a nomination or matter of business was not properly brought before the meeting and if such chairman should so determine, such chairman shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 2.8. Proxies; Inspectors.

(a) Each stockholder entitled to vote at a meeting of stockholders or express consent to corporation action in writing without a meeting (if permitted by the Certificate of Incorporation) may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date.

(b) Prior to a meeting of the stockholders of the Corporation, the Corporation shall appoint one or more inspectors (who may be employees of the Corporation) to act at a meeting of stockholders of the Corporation and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by applicable law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before beginning the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of inspectors. The inspectors shall have the duties prescribed by applicable law.

Section 2.9. Voting.

Except as otherwise required by any law or regulation applicable to the Corporation or its securities, by the Certificate of Incorporation, by these Bylaws or by the rules of any stock exchange upon which the Corporation's securities are listed, when a quorum is present, all matters other than the election of directors shall be determined by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Corporation which are present in person or by proxy and entitled to vote thereon. All elections of directors shall be determined by a plurality of the votes cast.

Section 2.10. Action by Written Consent.

Except as otherwise provided in the Certificate of Incorporation, stockholders may not take any action by written consent in lieu of a meeting of stockholders.

Section 2.11. Stock List.

A complete list of stockholders of the Corporation entitled to vote at any meeting of stockholders of the Corporation, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any such stockholder, for any purpose germane to a meeting of the stockholders of the Corporation, for a period of at least 10 days before the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or (ii) during ordinary business hours at the principal place of business of the Corporation; provided, however, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the 10th day before such meeting date. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Except as otherwise provided by law, the stock ledger shall be the sole evidence of the identity of the stockholders entitled to vote at a meeting and the number of shares held by each stockholder.

ARTICLE 3 - BOARD OF DIRECTORS

Section 3.1. General Powers and Qualifications of Directors .

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities these Bylaws expressly confer upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by the DGCL or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders. Directors need not be stockholders of the Corporation to be qualified for election or service as a director of the Corporation.

Section 3.2. Number .

Subject to the Certificate of Incorporation, the total number of directors constituting the entire Board of Directors shall be fixed from time to time solely by resolutions adopted by a majority of the directors then in office.

Section 3.3. Removal; Resignation .

Directors may only be removed as set forth in the Certificate of Incorporation. Any director may resign at any time upon notice given in writing, including by electronic transmission, to the Corporation. Such resignation shall take effect at the time specified therein or, if the time is not specified, upon receipt thereof. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.4. Regular Meetings .

Regular meetings of the Board of Directors shall be held at such places (if any), within or outside the State of Delaware, on the date and at the time as shall have been established by the Board of Directors and publicized among all directors. A notice of a regular meeting, the date of which has been so publicized, shall not be required.

Section 3.5. Special Meetings .

Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer, the President or by two or more directors then in office, and shall be held at the place, if any, on the date and at the time as he, she or they shall fix. Notice of the place, if any, date and time of each special meeting shall be given to each director not less than twenty-four hours before the meeting. Any and all business may be transacted at a special meeting of the Board of Directors.

Section 3.6. Quorum; Vote Required for Action .

At any meeting of the Board of Directors, a majority of the total number of directors then in office shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn or recess the meeting to another place, if any, date or time, without further notice or waiver thereof. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, a majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.7. Telephone Meetings .

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of the Board of Directors or committee thereof by means of conference telephone or other communications equipment by means of which all directors participating in the meeting can hear each other director, and such participation shall constitute presence in person at the meeting.

Section 3.8. Conduct of Business; Action by Written Consent .

At any meeting of the Board of Directors or any committee thereof, business shall be transacted in the order and manner that the Board of Directors may from time to time determine. The Board of Directors or any committee thereof may take action without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings, or electronic transmission or electronic transmissions, are filed with the minutes of proceedings of the Board of Directors or any committee thereof.

Section 3.9. Compensation of Directors .

The Board of Directors shall be authorized to fix the compensation of directors. The directors of the Corporation shall be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors, paid an annual retainer or paid other compensation, including equity compensation, as the Board of Directors determines. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees shall have their expenses, if any, of attendance of each meeting of such committee reimbursed and may be paid compensation for attending committee meetings or being a member of a committee.

ARTICLE 4 - COMMITTEES

Section 4.1. Committees of the Board of Directors .

The Board of Directors may designate one or more committees of the Board of Directors, each with such lawfully delegable powers and duties as the Board of Directors thereby confers, to serve at the pleasure of the Board of Directors and shall appoint one or more directors to serve as the member or members of such committee or committees, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of any committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. All provisions of this Section 4.1 are subject to, and nothing in this Section 4.1 shall in any way limit the exercise, or method or timing of the exercise of the rights of any person granted by the Corporation with respect to the existence, duties, composition or conduct of any committee of the Board of Directors.

Section 4.2. Committee Rules .

Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article 3 of these Bylaws.

ARTICLE 5 - OFFICERS

Section 5.1. Generally .

The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board of Directors, a Chief Executive Officer, a Chief Financial Officer, one or more Vice Presidents and a Secretary. The Board of Directors may also designate as officers a President, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, and such other officers and agents as it shall deem necessary. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The compensation of officers appointed by the Board of Directors shall be determined from time to time by the Board of Directors or a committee thereof or by the officers as may be designated by resolution of the Board of Directors.

Section 5.2. Chairman of the Board .

The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may from time to time be assigned by the Board of Directors.

Section 5.3. Chief Executive Officer .

The Chief Executive Officer shall have, subject to the supervision, direction and control of the Board of Directors, the general powers and duties of supervision, direction, and management of the business and affairs of the Corporation, including, without limitation, all powers necessary to direct and control the organizational and reporting relationships within the Corporation. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors are carried into effect. In addition, the

Chief Executive Officer shall have such other powers and perform such other duties as may be delegated to him or her by the Board of Directors or as are set forth in the Certificate of Incorporation or these Bylaws. If the Board of Directors has not elected or appointed a President or the office of the President is otherwise vacant, and no officer otherwise functions with the powers and duties of the President, then, unless otherwise determined by the Board of Directors, the Chief Executive Officer shall also have all the powers and duties of the President.

Section 5.4. President .

The President, if there is such an officer and the Board of Directors so directs, shall serve as chief operating officer and have the powers and duties customarily and usually associated with the office of chief operating officer unless the Board of Directors provides for another officer to serve as chief operating officer (or to have the powers and duties of chief operating officer). The President shall have such other powers and perform such other duties as may be delegated to him or her from time to time by the Board of Directors or the Chief Executive Officer. If the Board of Directors has not elected or appointed a Chief Executive Officer or the office of Chief Executive Officer is otherwise vacant, then, unless otherwise determined by the Board of Directors, the President shall also have all the powers and duties of the Chief Executive Officer.

Section 5.5. Vice President .

Each Vice President shall have the powers and duties delegated to him or her by the Board of Directors, the Chief Executive Officer or his or her superior officer.

Section 5.6. Secretary and Assistant Secretaries .

The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform other duties as the Board of Directors may from time to time prescribe.

Any Assistant Secretary, if there is such an officer, shall perform such duties and possess such powers as the Board of Directors, the Chief Executive Officer, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors), shall perform the duties and exercise the powers of the Secretary.

Section 5.7. Chief Financial Officer, Treasurer and Assistant Treasurers .

The Chief Financial Officer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors, the Chief Executive Officer or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Corporation. The Chief Financial Officer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. The Chief Executive Officer or President may direct the Treasurer or any Assistant Treasurer, if there is such an officer, to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time.

Section 5.8. Delegation of Authority .

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 5.9. Removal .

The Board of Directors may remove any officer of the Corporation at any time, with or without cause.

Section 5.10. Appointing Attorneys and Agents; Voting Securities of Other Entities . Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the

Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation or other entity, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or other entity, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation or other entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consents, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper. Any of the rights set forth in this Section 5.10 which may be delegated to an attorney or agent may also be exercised directly by the Chairman of the Board, the Chief Executive Officer or the Vice President.

Section 5.11. Additional Matters . The Chief Executive Officer, the President and the Chief Financial Officer of the Corporation shall have the authority to designate employees of the Corporation to have the title of Vice President, Assistant Vice President, Assistant Treasurer or Assistant Secretary. Any employee so designated shall have the powers and duties determined by the officer making such designation. The persons upon whom such titles are conferred shall not be deemed officers of the Corporation unless elected by the Board of Directors.

ARTICLE 6 - STOCK

Section 6.1. Certificates of Stock .

Shares of the stock of the Corporation may be certificated or uncertificated, as provided in the DGCL. Stock certificates shall be signed by, or in the name of the Corporation by, (i) the Chairman of the Board (if any) or the vice-chairman of the Board (if any), the Chief Executive Officer, the President or a Vice President, and (ii) the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, or the Chief Financial Officer, certifying the number of shares owned by such stockholder. Any signatures on a certificate may be by facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 6.2. Transfers of Stock .

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation (within or outside of the State of Delaware) or by transfer agents designated to transfer shares of the stock of the Corporation.

Section 6.3. Lost, Stolen or Destroyed Certificates .

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to regulations as the Board of Directors may establish concerning proof of the loss, theft or destruction and concerning the giving of a satisfactory bond or indemnity, if deemed appropriate.

Section 6.4. Regulations .

The issue, transfer, conversion and registration of certificates of stock of the Corporation shall be governed by other regulations as the Board of Directors may establish.

Section 6.5. Record Date .

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment or recess thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for determining stockholders entitled to vote. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment or recess of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned or recessed meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned or recessed meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned or recessed meeting.

(b) If and to the extent that stockholder action by written consent is permitted by the Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the DGCL, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE 7 - INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

Section 7.1. Indemnification .

The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), any person (an " Indemnitee ") who was or is made, or is threatened to be made, a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a " Proceeding "), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or an officer of the Corporation or, while a director or an officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, member, trustee or agent of another corporation or of a partnership, joint venture, trust, nonprofit entity or other enterprise (including, but not limited to, service with respect to employee benefit plans) (any such entity, an " Other Entity "), against all liability and loss suffered (including, but not limited to, expenses (including, but not limited to, attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding). Notwithstanding the preceding sentence, the Corporation shall be required to indemnify an Indemnitee in connection with a Proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such Proceeding (or part thereof) by the Indemnitee was authorized by the Board of Directors of the Corporation or the Proceeding (or part thereof) relates to the enforcement of the Corporation's obligations under this Section 7.1.

Section 7.2. Advancement of Expenses .

The Corporation shall to the fullest extent not prohibited by applicable law pay, on an as- incurred basis, all expenses (including, but not limited to attorneys' fees and expenses) incurred by an Indemnitee in investigating, responding to, defending or testifying in any Proceeding in advance of its final disposition. Such advancement shall be unconditional, unsecured and interest free and shall be made without regard to Indemnitee's ability to repay any expenses advanced; provided , however , that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an unsecured undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Article 7 or otherwise.

Section 7.3. Claims .

If a claim for indemnification (following the final disposition of such proceeding) or advancement of expenses under this Article 7 is not paid in full within sixty days after a written claim therefor by the Indemnitee has been received by the Corporation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 7.4. Insurance .

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, member, trustee or agent of an Other Entity, against any liability asserted against the person and incurred by the person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article 7 or the DGCL.

Section 7.5. Survival; Non-Exclusivity of Rights .

The rights conferred on any Indemnitee by this Article 7 shall continue as to a person who has ceased to be a director or officer of the Corporation and are not exclusive of other rights arising under any bylaw, agreement, vote of directors or stockholders or otherwise. Any such rights shall inure to the benefit of the heirs and legal representatives of such Indemnitee. The Corporation may enter into agreements with any Indemnitee for the purpose of providing for indemnification or advancement of expenses.

Section 7.6. Amounts Received from an Other Entity .

The Corporation’s obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at the Corporation’s request as a director, officer, employee, member, trustee or agent of an Other Entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such Other Entity.

Section 7.7. Amendment or Repeal .

Any right to indemnification or to advancement of expenses of any Indemnitee arising hereunder shall not be eliminated or impaired by an amendment to or repeal of this Article 7 after the occurrence of the act or omission that is the subject of the Proceeding or other matter for which indemnification or advancement of expenses is sought.

Section 7.8. Other Indemnification and Advancement of Expenses .

This Article 7 shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action.

Section 7.9. Reliance .

Indemnitees who after the date of the adoption of this Article 7 become or remain an Indemnitee described in Section 7.1 will be conclusively presumed to have relied on the rights to indemnity, advancement of expenses and other rights contained in this Article 7 in entering into or continuing the service. The rights to indemnification and to the advancement of expenses conferred in this Article 7 will apply to claims made against any Indemnitee described in Section 7.1 arising out of acts or omissions that occurred or occur either before or after the adoption of this Article 7 in respect of service as a director or officer of the corporation or other service described in Section 7.1.

Section 7.10. Successful Defense .

In the event that any proceeding to which an Indemnitee is a party is resolved in any manner other than by adverse judgment against the Indemnitee (including, without limitation, settlement of such proceeding with or without payment of money or other consideration) it shall be presumed that the Indemnitee has been successful on the merits or otherwise in such proceeding for purposes of Section 145(c) of the DGCL. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

ARTICLE 8 - NOTICES

Section 8.1. Methods of Notice .

Except as otherwise provided herein or permitted by applicable law, notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation or given as permitted by applicable law. If mailed, notice to a stockholder of the Corporation shall be deemed given when deposited in the mail, postage prepaid, directed to a stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders of the Corporation may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

Section 8.2. Waivers .

A written waiver of any notice, signed by a stockholder or director, or a waiver of any notice by electronic transmission by such person or entity, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person or entity. Neither the business nor the purpose of any meeting need be specified in the waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 9 - MISCELLANEOUS

Section 9.1. Corporate Seal .

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation. If and when so directed by the Board of Directors, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary, Assistant Treasurer or the Chief Financial Officer.

Section 9.2. Reliance upon Books, Reports, and Records .

Each director and each member of any committee designated by the Board of Directors of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books and records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers, agents or employees, or committees of the Board of Directors so designated, or by any other person or entity as to matters which such director or committee member reasonably believes are within such other person's or entity's professional or expert competence and that has been selected with reasonable care by or on behalf of the Corporation.

Section 9.3. Fiscal Year .

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 9.4. Time Periods .

In applying any provision of these Bylaws that requires that an act be done or not be done a specified number of days before an event or that an act be done during a specified number of days before an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE 10 - AMENDMENTS

In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the Bylaws of the Corporation subject to the power of the stockholders of the Corporation entitled to vote with respect thereto to adopt, alter, amend or repeal the bylaws. Any adoption, alteration, amendment or repeal of the bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Board of Directors then in office. Notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of the bylaws may be adopted, altered, amended or repealed by the stockholders of the Corporation in any respect, unless in addition to any other vote required by the Certificate of Incorporation or required by law, such alteration, amendment, repeal or adoption is approved at a meeting of the stockholders called for that purpose by, the affirmative vote of the holders of at least sixty-six and two- thirds percent (66 2/3%) of the voting power of the outstanding shares, voting together as a single class.

EMPLOYMENT AGREEMENT

This employment agreement (this "Agreement"), effective as of January 3, 2018 (the "Effective Date"), is entered into by Wingstop Restaurants Inc., a Texas corporation (the "Company"), and Lawrence Kruguer, in his individual capacity ("Executive"), on the terms and conditions as follows:

§ 1. TERM OF EMPLOYMENT

Subject to the terms and conditions set forth in this Agreement, the Company agrees to employ Executive and Executive agrees to be employed by the Company for a term of five (5) years, starting on the Effective Date and ending on the 5th anniversary of such date. The employment term described in this § 1 is referred to in this Agreement as the "Term."

§ 2. POSITION AND DUTIES AND RESPONSIBILITIES

(a) Position . Executive shall be the Company's Executive Vice President and Chief Operating Officer.

(b) Duties and Responsibilities . During the Term, Executive shall serve as the Company's Executive Vice President and Chief Operating Officer and shall devote all of Executive's business time, skill and energies to promote the interests of the Company and to serve such positions with the Company as may be reasonably assigned by the Chief Executive Officer of the Company consistent with the title of Executive Vice President and Chief Operating Officer. Executive will also serve in such positions with Wingstop Inc. ("Parent") as may be reasonably assigned by the Chief Executive Officer of Parent. Executive shall undertake to perform all of Executive's duties and responsibilities for the Company, Parent and any current and/or future affiliates of the Company in good faith and on a full-time basis and shall at all times act in good faith in the course of Executive's employment under this Agreement in the best interests of the Company and its affiliates.

§ 3. COMPENSATION AND BENEFITS

(a) Base Salary . Executive's base salary shall be $400,000 per year (the "Base Salary"), starting as of the Effective Date, which Base Salary is (i) payable in installments, in accordance with the Company's standard payroll practices and policies for senior executives, and (ii) subject to such withholding and other taxes as required by law or as otherwise permissible under such practices or policies.

(b) Employee Benefit Plans . Executive is eligible to participate in the employee benefit plans, programs and policies maintained by the Company in accordance with the terms and conditions of such plans, programs and policies as in effect from time to time.

(c) Bonus . Executive will be eligible for an annual bonus (not to exceed 60% of Executive's Base Salary) (the "Annual Bonus") based on a combination (as determined by the Compensation Committee of the Board of Directors in its discretion) of the Company's achievement for each year of (i) the Company's Free Cash Flow Budget, (ii) the Company's growth targets, and (iii) such other performance targets determined by the Compensation Committee. "Free Cash Flow" means the Company's earnings before interest, taxes, depreciation, amortization, and capital expenditures. The Free Cash Flow Budget and growth targets for each fiscal year will be submitted by the Company's management to the Board of Directors of the Company (the "Board") and will be approved by the Board after discussion with management, subject to any changes determined by the Board. The Company's performance against the annual Free Cash Flow Budget and growth targets, for purposes of determination of the Annual Bonus, will be based upon the Company's audited financial statements. Payment of the Annual Bonus will be subject to the terms of the Company's annual executive bonus plan.

(d) Paid Time Off . Executive shall accrue up to 20 days of paid time off on a pro rata basis during each successive one-year period in the Term. Accrued paid time off shall be taken at such time or times in each such one-year period so as not to materially and adversely interfere with the business of the Company and in no event shall more than ten days of paid time off be taken consecutively without approval by the Chief Executive Officer. Executive shall have no right to carry over unused paid time off from any such one-year period to any other such one-year period or to receive any additional compensation in lieu of taking Executive's paid time off.

(e) Business Expenses . Executive shall be reimbursed for reasonable and appropriate business expenses incurred and appropriately documented in connection with the performance of Executive's duties and responsibilities under this Agreement in accordance with the Company's expense reimbursement policies and procedures for its senior executives.

(f) Compliance with Compensation and Equity Policies . Executive agrees to comply with the Company's and Parent's stock ownership and equity retention policy and compensation recovery (or "clawback") policy, each as in effect from time to time, with respect to annual or long-term incentive or other compensation, as applicable, including the compensation provided pursuant to this Agreement. The terms of the Company's and Parent's stock ownership and equity retention policy and the compensation recovery policy, each as in effect from time to time, are hereby incorporated by reference into this Agreement.

§ 4. TERMINATION OF EMPLOYMENT AND SEVERANCE

(a) Right of Termination . The Company shall have the right to terminate Executive's employment at any time, and Executive shall have the right to resign at any time, subject to the obligations and conditions contained herein.

(b) Payments upon Termination . Upon termination of Executive's employment with the Company for any reason, the Company shall pay to Executive on his last day of employment with the Company all Base Salary earned by Executive through his last day of employment, and any earned and payable (but as of yet unpaid) Annual Bonus for the previous year.

(c) Severance .

(1) If the Company terminates Executive without Cause, then, upon Executive's Termination of Employment (as defined below), the Company shall (in lieu of any other severance benefits under any of the Company employee benefit plans, programs or policies) continue to pay Executive's Base Salary at the time of such termination for a period of twelve (12) months. Such severance will be payable in equal bi-monthly installments in accordance with the Company's normal payroll practices, subject to such withholding and other taxes as may be required or as otherwise permissible under the Company's practices or policies.

(2) The Company shall have no obligation to make any such severance payments if (i) Executive violates any of the provisions of § 5 of this Agreement, (ii) the Company chooses not to renew this Agreement either at the expiration of its initial term or at any point thereafter, or

(iii) Executive does not execute and deliver (without revoking) to the Company a general release in form and substance satisfactory to the Company of any and all claims he may have against the Company, its parent, and their affiliates, including former affiliates, (the “Release”), within twenty-one (21) days following Executive’s Termination of Employment.

(3) Executive waives Executive’s rights, if any, to have the payments provided for under this § 4(c) taken into account in computing any other benefits payable to, or on behalf of, Executive by the Company.

(4) Notwithstanding anything to the contrary in this Agreement, if a change of control of the Company occurs, neither the Company, Parent, nor any acquirer of the Company or Parent will have any obligation to make severance payments under this Section as a result of such change of control unless Executive’s employment is terminated without Cause simultaneously with such change of control.

(5) “Termination of Employment” means the date on which Executive’s “separation from service” occurs within the meaning of § 409A of the Internal Revenue Code.

(6) The severance payments described in § 4(c)(1) shall commence within the sixty (60) day period following the Executive’s Termination of Employment provided the Executive executes the Release and the Release becomes effective and irrevocable within such sixty (60) day period and provided, further, that if such sixty (60) day period begins in one calendar year and ends in a second calendar year, such payments shall be made or shall commence in the second calendar year.

(d) Termination by the Company for Cause or by Executive .

(1) The Company shall have the right to terminate Executive’s employment at any time for Cause, and Executive shall have the right to resign at any time.

(2) If the Company terminates Executive’s employment for Cause or Executive resigns, the Company’s only obligation to Executive under this Agreement (except as provided under § 4(g)) shall be to pay upon Executive’s Termination of Employment Executive’s Base Salary under § 3(a) that he actually earned up to the date of Executive’s Termination of Employment.

(e) Cause . “Cause” shall exist if Executive (i) is indicted for, or pleads guilty or nolo contendere to, a felony or, (ii) in the good faith determination of the Board, (a) engages in gross neglect or willful misconduct; (b) breaches Executive’s duties to the Company or Parent; (c) otherwise breaches in any material respect any provision of this Agreement or any other agreement between Executive and the Company or Parent; (d) engages in any activity or behavior, including substance abuse, that is or could be harmful to the property, business, goodwill, or reputation of the Company or Parent; or (e) commits theft, larceny, embezzlement, fraud, any acts of dishonesty, illegality, moral turpitude, insubordination, or mismanagement; provided, however, that Executive may not be terminated for "Cause" under (ii)(c) above unless Executive fails to cure any such breach (if the Board determines that it is curable) to the good faith satisfaction of the Board within 10 days after notice of the breach; and provided further, that Executive shall only be entitled to one such opportunity to cure under this Agreement.

(f) Termination for Disability or Death .

(1) Disability. The Company may terminate the Term if Executive is unable substantially to perform Executive's duties and responsibilities hereunder to the full extent required by the Board by reason of a Permanent Disability, as defined below. Executive shall upon his Termination of Employment by reason of a Permanent Disability, be entitled to the following: (i) any amounts earned, accrued or owing but not yet paid, which amounts shall be paid within thirty (30) days following such Termination of Employment; and (ii) continued participation, in accordance with the terms of such plans, in those employee welfare benefit plans in which Executive was participating on the date of termination which, by their terms, permit a former employee to participate. In such event, the Company shall have no further liability or obligation to Executive for compensation under this Agreement. Executive agrees, in the event of a dispute under this § 4(f)(1), to submit to a physical examination by a licensed physician selected by the Board. For purposes of this Agreement, "Permanent Disability" has the same meaning as for purposes of the Company's permanent disability insurance policies which now or hereafter cover the permanent disability of Executive or, in absence of such policies, means the inability of Executive to work in a customary day-to-day capacity for six (6) consecutive months or for six (6) months within a twelve (12) month period, as determined by the Board.

(2) Death. The Term shall terminate in the event of Executive's death. In such event, Executive's estate shall be entitled upon Executive's death to (i) any amounts earned, accrued or owing but not yet paid, which amounts shall be paid within thirty (30) days following such Termination of Employment; and (ii) any other benefits to which Executive is entitled in accordance with the terms of the applicable plans and programs of the Company. The Company shall have no further liability or obligation under this Agreement to Executive's executors, legal representatives, administrators, heirs or assigns or any other person claiming under or through Executive.

(g) Benefits at Termination of Employment. Executive will have, upon termination of his employment, the right to receive any benefits payable under the Company's employee benefit plans, programs and policies that Executive otherwise has a nonforfeitable right to receive under the terms of such plans, programs and policies (other than severance benefits), independent of Executive's rights under this Agreement.

§ 5. SECTION 280G

Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates and former affiliates to the Executive or for the Executive's benefit pursuant to the terms of this Agreement or otherwise ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Code and would, but for this Section 5 be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Executive of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the Covered Payments be reduced to the minimum extent necessary to ensure that no portion of the

Covered Payments is subject to the Excise Tax (that amount, the "Reduced Amount"). "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes. Any such reduction shall be made by the Company in its sole discretion consistent with the requirements of Code Section 409A.

§ 6. COVENANTS BY EXECUTIVE

(a) The Company's Property .

(1) Executive, upon the termination of Executive's employment for any reason or, if earlier, upon the Company request, shall promptly return all "Property" that had been entrusted or made available to Executive by the Company.

(2) The term "Property" means all records, files, memoranda, reports, price lists, customer lists, drawings, plans, sketches, keys, codes, computer hardware and software and other property of any kind or description prepared, used or possessed by Executive during Executive's employment by the Company (and any duplicates of any such property) together with any and all information, ideas, concepts, discoveries, and inventions and the like conceived, made, developed or acquired at any time by Executive individually or with others during Executive's employment that relate to the Company business, products or services.

(b) Trade Secrets .

(1) Executive agrees that Executive will hold in a fiduciary capacity for the benefit of the Company and will not directly or indirectly use or disclose, other than when required to do so in good faith to perform Executive's duties and responsibilities, any "Trade Secret" that Executive may have acquired during the term of Executive's employment by the Company for so long as such information remains a Trade Secret, unless Executive is required to do so by a lawful order of a court of competent jurisdiction, any governmental authority, or agency, or any recognized subpoena; provided, however, that before making any disclosure of a Trade Secret pursuant to a such an order or subpoena, Executive will provide notice of such order or subpoena to the Company to permit the Company to challenge such order or subpoena if the Company, in its sole discretion and at its expense, desires to challenge such order or subpoena or to seek a protective order preventing further disclosure of the Trade Secret.

(2) The term "Trade Secret" means information, without regard to form, including technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers that (i) derives economic value, actual or potential, from not being generally known to, and not being generally readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) is the subject of reasonable efforts by the Company to maintain its secrecy.

(3) Executive acknowledges and agrees that the Company will prosecute any non-confidential disclosure or misappropriation of the Company's Trade Secrets to full extent allowed by federal, state, and common law. Executive further acknowledges and agrees that Executive has received and understands the following notice concerning immunity from liability for confidential disclosure of a trade secret to the government or in

a court filing: Pursuant to the Defend Trade Secrets Act, 18 U.S.C. § 1833, an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

(4) This § 6(b) and § 6(c) are intended to provide rights to the Company that are in addition to, not in lieu of, those rights the Company has under the common law or applicable statutes for the protection of trade secrets and Confidential Information

(c) Confidential Information .

(1) Executive while employed by the Company and during the five (5) year period after termination of such employment shall hold in a fiduciary capacity for the benefit of the Company and shall not directly or indirectly use or disclose, other than when required to do so in good faith to perform Executive’s duties and responsibilities, any “Confidential Information” that Executive may have acquired (whether or not developed or compiled by Executive and whether or not Executive is authorized to have access to such information) during the term of, and in the course of, or as a result of Executive’s employment by the Company unless Executive is required to do so by a lawful order of a court of competent jurisdiction, any governmental authority, or agency, or any recognized subpoena; provided, however, that before making any disclosure of a Confidential Information pursuant to a such an order or subpoena, Executive will provide notice of such order or subpoena to the Company to permit the Company to challenge such order or subpoena if the Company, in its sole discretion and at its expense, desires to challenge such order or subpoena or to seek a protective order preventing further disclosure of the Confidential Information.

(2) The term “Confidential Information” means any secret, confidential or proprietary information possessed by the Company relating to its businesses, including customer lists, details of client or consultant contracts, the terms and conditions of this Agreement, current and anticipated customer requirements, pricing policies, price lists, market studies, business plans, licensing strategies, advertising campaigns, operational methods, marketing plans or strategies, product development techniques or flaws, computer software programs (including object code and source code), data and documentation, data base technologies, systems, structures and architectures, inventions and ideas, past, current and planned research and development, compilations, devices, methods, techniques, processes, financial information and data, employee compensation information, business acquisition plans and new personnel acquisition plans, which are not otherwise included in the definition of a Trade Secret under this Agreement, that has not become generally available to the public by the act of one who has the right to disclose such information without violating any right of the Company.

(d) Protected Rights . Nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law and regulation, Executive does not need the prior authorization of the Company to make any such reports or disclosures, and Executive is not required to notify the Company that he or she has made such reports or disclosures; and (iii) the Agreement does not limit Executive's right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. Further, notwithstanding the foregoing, Executive will not be held criminally or civilly liable under any federal, state or local trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation or law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(e) Ownership of Work Product .

(1) Executive acknowledges and agrees that Executive will be employed by the Company in a position that could provide the opportunity for conceiving and/or reducing to practice developments, discoveries, methods, processes, designs, inventions, ideas, or improvements (hereinafter collectively called "Work Product"). Accordingly, Executive agrees to promptly report and disclose to the Company in writing all Work Product conceived, made, implemented, or reduced to practice by Executive, whether alone or acting with others, during Executive's employment by the Company. Executive acknowledges and agrees that all Work Product is the sole and exclusive property of the Company. Executive agrees to assign, and hereby automatically assigns, without further consideration, to the Company any and all rights, title, and interest in and to all Work Product; provided, however, that this § 6(d)(1) shall not apply to any Work Product for which no equipment, supplies, facilities, or trade secret information of the Company was used and that was developed entirely on Executive's own time, unless the Work Product (i) relates directly or indirectly to the Company's business or its actual or demonstrably anticipated research or development, or (ii) results from any work performed by Executive for the Company. The Company, its successors and assigns, shall have the right to obtain and hold in its or their own name copyright registrations, trademark registrations, patents and any other protection available to the Work Product.

(2) Executive agrees to perform, upon the reasonable request of the Company, such further acts as may be reasonably necessary or desirable to transfer, perfect, and defend the Company's ownership of the Work Product, including (i) executing, acknowledging and delivering any requested affidavits and documents of assignment and conveyance, (ii) assisting in the preparation, prosecution, procurement, maintenance and enforcement of all copyrights and/or patents with respect to the Work Product in any countries, (iii) providing testimony in connection with any proceeding affecting the right, title or interest of the Company in any Work Product, and (iv) performing any other acts deemed necessary or desirable to carry out the purposes of this Agreement. The Company shall reimburse all

reasonable out-of-pocket expenses incurred by Executive at the Company's request in connection with the foregoing.

(f) Non-Competition; Non-Solicitation .

(1) While employed by the Company and for two (2) years following termination of Executive's employment for any reason, Executive will not, whether as an employee, consultant, advisor, independent contractor, or in any other capacity, provide management or executive services, similar to those that Executive provided to the Company or its affiliates at any time during the last twenty-four (24) months (or such shorter period if less than twenty-four (24) months) of Executive's employment with the Company, to or on behalf of any Competing Business in the Territory regardless of where Executive is physically located. For purposes of this Agreement, the term "Territory" means the United States and any foreign country in which the Company operates through a franchisee, and the term "Competing Business" means any business that (i) owns, operates, develops or franchises a restaurant (whether dine-in, take-out, home delivery or otherwise) or related business which derives 20% or more of its gross revenues from the sale of any combination of chicken wings or boneless chicken wings, and (ii) operates in any state in which the Company has a franchised location or is operating a company store (or has an executed development agreement or franchise agreement) as of the last date of Executive's employment.

(2) The foregoing restrictions shall not be construed to prohibit the ownership by Executive of less than one percent (1%) of any class of securities of any company which is a Competing Business or having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, provided that such ownership represents a passive investment and that neither Executive nor any group of persons including Executive in any way, either directly or indirectly, manages or exercises control of any such company, guarantees any of its financial obligations, consults with, advises, or otherwise takes any part in its business, other than exercising Executive's rights as a shareholder, or seeks to do any of the foregoing.

(3) While employed by the Company and for two (2) years following termination of Executive's employment for any reason, Executive shall not, on his own behalf or on behalf of any person, firm, partnership, association, corporation or business organization, entity or enterprise, directly or indirectly solicit or attempt to solicit, with a view to or for the purpose of competing with the Company or its affiliates in any Competing Business, any customers or franchisees of the Company or its affiliates with whom Executive had or made contact in the course of Executive's employment by the Company.

(4) While employed by the Company and for two (2) years following termination of Executive's employment for any reason, Executive will not, directly or indirectly, (i) solicit or attempt to solicit any potential franchisee to enter into a franchise agreement with any other person, firm or entity of a type generally similar to or competitive with the franchise arrangements of the Company, or (ii) encourage any franchisee to terminate its franchise relationship with the Company.

(5) While employed by the Company and for two (2) years following termination of Executive's employment for any reason, Executive shall not, on his own behalf or on behalf of any person, firm, partnership, association, corporation or business organization,

entity or enterprise, directly or indirectly, hire, or solicit or attempt to solicit any officer or employee of the Company or its affiliates with whom Executive had contact in the course of Executive's employment with the Company to terminate or reduce his or her employment or business relationship with the Company or its affiliates and shall not assist any other person or entity in such a solicitation.

(6) In return for your obligations and undertakings pursuant to this Agreement, including the obligations set forth in § 6, the Company promises to provide you with certain of its trade secrets and/or confidential information, and to provide you with specialized instruction and training, to the extent such instruction, training, confidential information and/or trade secrets are necessary for you to perform your duties for the Company. You agree that these promises, in addition to your employment or continued employment with the Company, and the other promises contained herein are sufficient consideration for your entering into this Agreement.

(g) Non-Disparagement. Executive will not make any statement, written or verbal, to any person or entity, including in any forum or media, or take any action, in disparagement of the Company, the Board, or any of their respective current, former or future affiliates, or any current, former or future shareholders, partners, managers, members, officers, directors, employees, franchisors or franchisees of any of the foregoing (each, a "Company Party"), including negative references to or about any Company Party's services, policies, practices, documents, methods of doing business, strategies, objectives, shareholders, partners, managers, members, officers, directors, or employees, or take any other action that may disparage any Company Party to the general public and/or any Company Party's officers, directors, employees, clients, franchisees, potential franchisees, suppliers, investors, potential investors, business partners or potential business partners.

(h) Cooperation. At Company's reasonable expense, executive will cooperate with all reasonable requests by the Company (or any affiliate of the Company) for assistance in connection with any matters involving the Company (or any affiliate of the Company), including by providing truthful testimony in person in any legal proceedings without having to be subpoenaed.

(i) Reasonable and Continuing Obligations. Executive agrees that Executive's obligations under this § 6 are obligations that will continue beyond the date Executive's employment with the Company terminates, regardless of the reason for such termination, and that such obligations are reasonable and necessary to protect the Company's legitimate business interests. In addition, the Company shall have the right to take such other action as the Company deems necessary or appropriate to compel compliance with the provisions of this § 6, including seeking injunctive relief.

(j) Remedy for Breach. Executive agrees that the remedies at law of the Company for any actual or threatened breach by Executive of the covenants in this § 6 would be inadequate and that the Company shall be entitled to specific performance of the covenants in this § 6, including entry of an ex parte, temporary restraining order in state or federal court, preliminary and permanent injunctive relief against activities in violation of this § 6, or both, or other appropriate judicial remedy, writ or order, in addition to any damages and legal expenses that the Company may be legally entitled to recover. Executive acknowledges and agrees that the covenants in this § 6 shall be construed as agreements independent of any other provision of this or any other agreement between the Company and Executive, and that the existence of any claim or cause of action by

Executive against the Company, whether predicated upon this Agreement or any other agreement, shall not constitute a defense to the enforcement by the Company of such covenants.

§ 7. SECTION 409A MATTERS

(a) Notwithstanding any other provision in this Agreement to the contrary, if and to the extent that Code Section 409A is deemed to apply to any benefit under this Agreement, it is the general intention of the Company that such benefits shall, to the extent practicable, comply with, or be exempt from, Code Section 409A, and this Agreement shall, to the extent practicable, be construed in accordance therewith. Deferrals of benefits distributable pursuant to this Agreement that are otherwise exempt from Code Section 409A in a manner that would cause Code Section 409A to apply shall not be permitted unless such deferrals are in compliance with or otherwise exempt from Code Section 409A.

(b) Notwithstanding any other provision of this Agreement, no payments shall be made and no benefits shall be provided under this Agreement as a result of Executive's termination of employment unless Executive has a "separation from service" within the meaning of Code Section 409A in connection with such termination of employment, and Executive and the Company acknowledge and agree that a "separation from service" may come before, after or coincide with any such termination of employment and that the payments otherwise to be made at a termination of employment and that the benefits otherwise to be provided at a termination of employment shall only be made or provided at the time of the related "separation from service". Furthermore, Executive and the Company acknowledge and agree that all or any part of any payment to be made or benefit to be provided to Executive during the six (6) month and one (1) day period which starts on the date Executive has a "separation from service" (other than by reason of Executive's death) shall be delayed and then paid (in a lump sum without interest) or provided (without interest) on the first business day which comes six (6) months and one (1) day after the date of Executive's "separation from service" if the Company acting in good faith determines that Executive is a "specified employee" within in the meaning of Code Section 409A.

(c) With respect to items eligible for reimbursement under the terms of this Agreement, (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year, (ii) no such reimbursement may be exchanged or liquidated for another payment or benefit, and (iii) any reimbursements of such expenses shall be made as soon as practicable under the circumstances but in any event no later than the end of the calendar year following the calendar in which the related expenses were incurred.

(d) The Company and Executive intend that each installment of payments and benefits provided under this Agreement shall be treated as a separate identified payment for purposes of Code Section 409A.

(e) In the event that Code Section 409A requires that any special terms, provision or conditions be included in this Agreement, then such terms, provisions and conditions shall, to the extent practicable, be deemed to be made a part of this Agreement, and terms used in this Agreement shall be construed in accordance with Code Section 409A if and to the extent required.

Executive acknowledges and agrees that nothing in this Agreement shall be construed as a covenant by the Company that no payment will be made or benefit will be provided under this Agreement which will be subject to taxation under Code Section 409A or as a guarantee or indemnity by the Company for the tax consequences to the payments and benefits called for under this Agreement including any tax consequences under Code Section 409A. Executive further agrees that Executive shall be the only person responsible for paying all taxes due with respect to such payments and benefits.

§ 8 MISCELLANEOUS

(a) Notices. All Notices and all other communications which are required to be given under this Agreement must be in writing and shall be deemed to have been duly given when (i) personally delivered, (ii) mailed by United States registered or certified mail postage prepaid, (iii) sent via a nationally recognized overnight courier service, (iv) sent via facsimile to the recipient, or (v) sent via e-mail to the recipient, in each case as follows:

If to the Company: Darryl R. Marsch
Sr. Vice President, General Counsel & Secretary
Wingstop Restaurants Inc.
5501 LBJ Freeway
Fifth Floor
Dallas, Texas 75240

If to Executive: Lawrence Kruguer
Wingstop Restaurants Inc.
5501 LBJ Freeway
Fifth Floor
Dallas, Texas 75240

or such other address or addresses as either party hereto shall have designated by notice in writing to the other party hereto.

(b) No Waiver. Except for any notice required to be given under this Agreement, no failure by either the Company or Executive at any time to give notice of any breach by the other of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of any provisions or conditions of this Agreement.

(c) Applicable Law. This Agreement shall be governed by the laws of the State of Delaware (except to the extent that its choice of law provisions would call for the application of the law of another jurisdiction).

(d) Other Agreements. This Agreement replaces and merges any and all previous agreements and understandings regarding all the terms and conditions of Executive's employment relationship with the Company and this Agreement constitutes the entire agreement of the Company and Executive with respect to such terms and conditions. Executive acknowledges that Executive is not obligated under any contract or other agreement that would conflict with Executive's obligations under this Agreement and Executive's ability to perform Executive's duties and responsibilities under this Agreement upon commencement of and during the Term.

(e) Amendment. No amendment to this Agreement shall be effective unless it is both: (i) agreed to and signed by Executive and the Company, and (ii) reviewed and approved by the Board.

(f) Invalidity. If any part of this Agreement is held to be invalid or otherwise unenforceable, the remaining part shall be unaffected and shall continue in full force and effect, and the invalid or otherwise unenforceable part shall be deemed not to be part of this Agreement. If any tribunal construes any provision or portion of this Agreement to be unenforceable because of the scope or duration of such provision, it is the intention of the parties that the court reduce or reform the scope or duration to its greatest enforceable level.

(g) Arbitration. The Company and Executive shall have the right to obtain from a court an injunction or other equitable relief arising out of the Executive's breach of the provisions of § 6 of this Agreement. However, any other controversy or claim arising out of or relating to this Agreement, any alleged breach of this Agreement, or Executive's employment by the Company or the termination of such employment, including any claim as to arbitrability or any claims for any alleged discrimination, harassment, or retaliation in violation of any federal, state or local law, shall be settled by binding arbitration in Dallas, Texas in accordance with the rules of the American Arbitration Association then applicable to employment-related disputes and any judgment upon any award, which may include an award of damages, may be entered in the state or federal court having jurisdiction over such award.

(h) Costs of Enforcement. In the event of a dispute or action to enforce the terms of this Agreement, all reasonable costs and expenses incurred in connection therewith, including all reasonable attorneys' fees, shall be paid as determined by the arbitrator.

(i) No Challenge. Notwithstanding any provision of this Agreement to the contrary, Executive covenants and agrees that Executive will not (i) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Agreement, or (ii) raise, as a defense, the validity or enforceability of any provision of this Agreement, in any claim, lawsuit, arbitration or other proceeding. Should Executive violate any aspect of this § 8(i), Executive agrees (A) that, in the case of a breach of clause (i) of the preceding sentence, such claim, lawsuit, demand for arbitration, or other proceeding shall be summarily withdrawn and/or dismissed; (B) that Executive will pay all costs and damages incurred by the Company and its Affiliates in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees), or such defense, as the case may be; (C) that Executive will immediately forfeit any right to receive any severance payments under § 4(c) of this Agreement; and (d) that Executive will immediately repay any such payments or distributions that were received by Executive under §4(c) after the Termination Date.

(j) Assignment. This Agreement may not be assigned by Executive. This Agreement may be assigned by the Company, without Executive's consent, to (1) any Affiliate of the Company, or (2) any other successor in interest to the Company's business and assets (whether by merger, sale of assets, contribution of assets or otherwise). This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns.

(k) Indemnification. The Company will provide indemnification no less favorable than that set forth in the Company's bylaws as in effect on the Effective Date. The Company agrees to use its best efforts to maintain, or continue to maintain, a directors' and officers' liability insurance policy or agreement covering Executive to the extent the Company provides such coverage for its other executive officers and such policy or agreement is available on commercially reasonable terms.

(l) No Third Party Beneficiaries. Except as otherwise expressly provided for herein, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied will give or be construed to give to any person, other than the parties hereto and such permitted assigns, any permitted assigns, any legal or equitable rights hereunder.

(m) Controlling Document. Except with respect to the Stock Plan or the Company's annual incentive plans, if any provision of any agreement, plan, program, policy, arrangement or other written document between or relating to the Company and Executive conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail. The provision of the Stock Plan and the annual incentive plans shall control over this Agreement.

(n) No Limitation of Rights. Nothing in this Agreement shall limit or prejudice any rights of the Company under any other laws.

(o) Counterparts. This Agreement may be signed in any number of counterparts, including via facsimile transmission, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(p) Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

(q) Severability. If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof. If any provision of this Agreement is finally determined to be invalid, ineffective or unenforceable, the determination will apply only in the jurisdiction in which such final adjudication is made, and such provisions will be deemed severed form this Agreement for purposes of such jurisdiction only, but in every other provision of this Agreement will remain in full force and effect, and there will be substituted for any such provision held invalid, ineffective or unenforceable, a provision of similar import reflecting the original intent of the parties to the extent permitted under applicable law.

(r) Certain Interpretive Matters.

(1) Unless the context otherwise requires, (A) all references to sections are to sections of this Agreement, (B) each term defined in this Agreement has the meaning assigned to it, (C) words in the singular include the plural and vice versa, and (D) the terms "herein," "hereof," "hereby," "hereunder" and words of similar import shall mean references to this Agreement as a whole and not to any individual section or portion hereof. All references to $ or dollar amounts will be to lawful currency of the United States.

(2) No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or his or its counsel participated

in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

(3) As used in this Agreement, the word “including” means “including, without limitation” in each instance.

(s) Full Understanding. Executive represents and agrees that Executive fully understands Executive’s right to discuss all aspects of this Agreement with Executive’s private attorney, and that to the extent, if any, that Executive desired, Executive utilized this right. Executive further represents and agrees that: (i) Executive has carefully read and fully understands all of the provisions of this Agreement; (ii) Executive is competent to execute this Agreement; (iii) Executive’s agreement to execute this Agreement has not been obtained by any duress, and Executive freely and voluntarily enters into it; (iv) Executive is not subject to any covenants, agreements or restrictions arising out of Executive’s prior employment (other than with the Company) that would be breached or violated by Executive’s execution of this Agreement or performance of duties hereunder; and (v) Executive has read this document in its entirety and fully understands the meaning, intent and consequences of this document. Executive agrees and acknowledges that the obligations owed to Executive under this Agreement are solely the obligations of the Company and that none of the Company’s stockholders, directors or lenders will have any obligation or liabilities in respect of this Agreement and the subject matter hereof.

(t) Waiver and Release. Executive acknowledges and agrees that the Company may at any time require, as a condition to receipt of benefits payable under this Agreement, including but not limited to the payment of termination benefits pursuant to Section 4 herein, that Executive (or a representative of his estate) execute a waiver and release discharging the Company and its subsidiaries, and their respective Affiliates, and its and their officers, directors, managers, employees, agents and representatives and the heirs, predecessors, successors and assigns of all of the foregoing, from any and all claims, actions, causes of action or other liability, whether known or unknown, contingent or fixed, arising out of or in any way related to Executive’s employment, or the ending of Executive’s employment with the Company or the benefits thereunder, including, without limitation, any claims under this Agreement or other related instruments. The waiver and release shall be in a form acceptable to the Company and shall be executed prior to the expiration of the time period provided for payment of such benefits (including those provided under Section 4 herein).

(u) Certain Tax Matters. The Company has made no warranties or representations to Executive with respect to the tax consequences (including but not limited to income tax consequences) contemplated by this Agreement and/or any benefits to be provided pursuant thereto. Executive acknowledges that there may be adverse tax consequences related to the transactions contemplated hereby and that Executive should consult with his own attorney, accountant and/or tax advisor regarding the decision to enter into this Agreement and the consequences thereof. Executive also acknowledges that the Company has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for Executive.

(v) Deductions and Withholdings. All amounts payable or that become payable under this Agreement will be subject to any deductions and withholdings previously authorized by

Executive or required by law. Executive will be responsible for any and all taxes resulting from the benefits provided hereunder.

* * * * *

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement in multiple originals to be effective on the Effective Date.

WINGSTOP RESTAURANTS INC.	**EXECUTIVE**
By: /s/ Charles R. Morrison	/s/ Lawrence Kruguer
Name: Charles R. Morrison	Lawrence Kruguer
Title: Chief Executive Officer	
Date: January 18, 2018	Date: January 18, 2018

[Signature Page to Agreement]

List of Subsidiaries of
Wingstop Inc.

Subsidiary	Jurisdiction of Incorporation or Organization
Wingstop Holdings, Inc.	Delaware
Wingstop Restaurants Inc.	Texas
Wingstop Restaurants LLC	Nevada
Wingstop Beverages, Inc.	Texas
Wingstop Beverages II, Inc.	Texas
Wingstop Beverages III, Inc.	Texas
Wingstop GCM, LLC	Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8, No. 333-205143) of Wingstop Inc., and
(2) Registration Statement (Form S-3 No. 333-212393), as amended by Post-Effective Amendment No. 1 of Wingstop Inc.,

of our reports dated February 23, 2018, with respect to the consolidated financial statements of Wingstop Inc. and Subsidiaries, and the effectiveness of internal control over financial reporting of Wingstop Inc. and Subsidiaries included in this Annual Report (Form 10-K) of Wingstop Inc. and Subsidiaries for the year ended December 30, 2017.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 23, 2018

Exhibit 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles R. Morrison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Wingstop Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

By: /s/ Charles R. Morrison

Chairman and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Skipworth, certify that:

1. I have reviewed this Annual Report on Form 10-K of Wingstop Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 23, 2018

By: /s/ Michael J. Skipworth

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Wingstop Inc. (the “Company”) on Form 10-K for the period ended December 30, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles R. Morrison, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2018

By: /s/ Charles R. Morrison

Chairman and Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Wingstop Inc. (the "Company") on Form 10-K for the period ended December 30, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Skipworth, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2018

By: /s/ Michael J. Skipworth

Chief Financial Officer

(Principal Financial and Accounting Officer)