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 28, 2019

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	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	WING	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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐	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 29, 2019, the aggregate market value of the registrant’s outstanding common equity held by non-affiliates was approximately $2.8 billion, based on the closing price of the registrant’s common stock on June 29, 2019, the last trading day of the registrant’s most recently completed second fiscal quarter.

As of February 18, 2020, there were 29,457,228 shares of common stock, par value of $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2020 annual meeting of shareholders, which will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 28, 2019, are incorporated by reference into Part III of this report.

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Throughout this document, Wingstop Inc. (NASDAQ: WING) is referred to as the "Company," "Wingstop," or in the first-person notations of "we," "us" and "our." References to our website addresses or the website addresses of third parties in this report do not constitute incorporation by reference of the information contained on such websites and should not be considered part of this document.

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, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") 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 Securities and Exchange Commission (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. Any forward-looking statement in this report speaks only as of the date on which it was made. 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.

PART I

Item 1. Business

Overview

Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world, with nearly 1,400 locations worldwide. We are dedicated to serving the world flavor through an unparalleled guest experience and offering of classic wings, boneless wings and tenders, always cooked to order and hand-sauced-and-tossed in 11 bold, distinctive flavors.

The Company is primarily a franchisor, with approximately 98% of Wingstop's restaurants currently owned and operated by independent franchisees. 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.

Wingstop generates revenues by charging royalties, advertising fees and franchise fees to our franchisees and by operating a number of our own restaurants. We report our business in two reporting segments: franchise operations and company restaurant operations. During 2019, our franchise segment accounted for 72% and our company segment accounted for 28% of our consolidated revenues. 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 History

The first Wingstop restaurant opened in Garland, Texas in 1994. We began franchising Wingstop restaurants in 1997, and in 2009 we opened our first international location in Mexico.

Wingstop Inc. was incorporated in Delaware on March 18, 2015. On June 15, 2015, we completed our initial public offering, and our stock became listed on the NASDAQ Global Select Market under the symbol "WING."

Our Industry

We operate in the rapidly-growing fast casual segment of the restaurant industry. We believe that fast casual concepts, which are a segment of limited service restaurants ("LSRs"), 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.

Our Competition

The restaurant industry is intensely competitive. We compete on the basis of taste, quality, 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 enables us to differentiate ourselves from our competitors.

We believe we compete primarily with fast casual establishments and quick service restaurants, 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.

Our Menu

It is our mission to serve the world flavor. We offer our guests fresh, cooked-to-order wings with bold, layered flavors that touch all of the senses and complement our wings with fresh-cut, seasoned fries and fresh, hand-cut carrots and celery. We round out the flavor experience with ranch and bleu cheese dips that are made in-house daily. We never use heat lamps or microwaves in the preparation of our food.

Our 11 flavor offerings create a differentiated experience that drives demand across multiple day-parts and occasions. Paired with our numerous order options (eat-in / to go / delivery; individual / combo meals / family packs) that 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 group occasion, we believe this customizable unique experience drives repeat business and brand loyalty.

Our Vision

Our vision is to become a top 10 global restaurant brand. Based on our internal analysis, we believe there is opportunity for our brand to grow to approximately 3,000 restaurants across the United States and to approximately 3,000 restaurants internationally. Our approach to becoming a top 10 global restaurant brand centers around the following key strategic priorities:

– Sustaining long-term same store sales growth through brand awareness and innovation

– Maintaining best in class unit economics

– Expanding our global footprint

This approach is built upon the foundation of our investments in the people and infrastructure necessary to build the organization for the next level.

Sustaining Long-Term Same Store Sales Growth through Brand Awareness and Innovation

In February 2017, we launched our national advertising program. Our transition from advertising cooperatives, a more locally driven advertising approach, to national advertising provided us with more reach and frequency in existing media markets and expanded our coverage to smaller and newer markets where we did not previously utilize television advertising. We administer the Wingstop Restaurants Advertising Fund (the "Ad Fund"), a consolidated not-for-profit advertising fund for which a percentage of gross sales is collected from Wingstop restaurant franchisees and company-owned restaurants to be used for various forms of advertising for the Wingstop brand. Beginning in fiscal year 2019, we increased the contribution rate that domestic franchisees are required to contribute to the Ad Fund from 3% to 4% of gross sales. Our national advertising program focuses on two key messaging windows and utilizes an extensive range of social media and digital marketing tools, including search engine, digital video, and social media advertising, to allow us to target core customers and increase brand awareness.

We are making focused investments in technology to provide a convenient and engaging brand experience with the goal of digitizing every transaction. We developed a custom website and app that launched at the beginning of 2019 that we believe positions Wingstop for further digital expansion. Delivery also continues to drive digital sales.

In 2017, we partnered with DoorDash to provide delivery to our restaurants, and approximately 94% of our domestic restaurants offered delivery as of the end of 2019. We believe our DoorDash partnership and delivery strategy will continue to drive domestic same store sales growth. Digital sales increased to 38.2% of sales during the fourth quarter of 2019, compared to the fast casual industry average of 8%.

Maintaining Best-in-Class 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 90% of franchised restaurants opened in 2019 and approximately 80% of franchised restaurants opened in 2018, 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, exceeding $1.2 million during fiscal year 2019. Our operating model targets a low average estimated initial investment of approximately $390,000, 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.

Expanding Our Global Footprint

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 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.

We believe we can achieve our domestic restaurant potential by expanding in our existing markets where we believe we can more than double our current restaurant count, as well as continuing to expand into emerging 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 and 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 also believe that there is a significant opportunity to grow our business internationally. As of December 28, 2019, we had 154 international restaurants located in nine countries, all of which are franchised. In 2019, we opened 31 international locations. We believe that our restaurant operating model translates 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.

Our Franchise

Franchise Overview

Our franchisees operated a total of 1,354 restaurants in 44 states and ten countries as of December 28, 2019. 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.

Franchisees (along with their managers) must attend and successfully complete a four-week training program prior to the opening of a new franchise restaurant. Our training program covers various topics including Wingstop culture, food preparation and storage, food safety, cleaning and sanitation, marketing and advertising, point of sale ("POS") systems, accounting, and hospitality, among others.

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 enforce the contractual requirements of our franchise agreements.

We have a broad and diversified domestic franchisee base. Since 2014, the number of franchisees who own ten or more 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 four restaurants per franchisee and an average tenure of seven years.

U.S. Franchise Agreements

We enter into franchise agreements with U.S. franchisees under which the franchisee is generally granted the right to operate a store in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions. 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. Our franchise documents currently provide that franchisees must pay a franchise fee of $20,000 for each restaurant opened. If a franchisee has entered into an area development agreement to develop restaurants in a defined market area with us (which occurs, in most cases, even if a franchisee wants to develop only one restaurant), the aggregate initial fee is $30,000 for each restaurant, which includes 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.

Under the current standard franchise agreement, each franchisee is required to pay us a royalty of 6% of their gross sales net of discounts. Each restaurant also contributes 4% of gross sales net of discounts to fund national marketing and advertising campaigns. These funds are managed by the Ad Fund and are primarily used to create advertising content and purchase digital and television advertising on a national level. Our current form of franchise agreement also requires franchisees to spend at least 1% of their gross sales on local advertising and promotions.

International Franchise Agreements

Our markets outside of the United States are operated by master franchisees with franchise and distribution rights for entire regions or countries. The master franchise agreement typically requires the franchisees to open a minimum number of restaurants within a specified period. The master franchisee is generally required to pay an initial, upfront development fee for the territory as well as a franchise fee for each restaurant opened, which is currently $25,000 for each international franchise restaurant. Under the current standard master franchise agreement, each master franchisee is also required to pay a continuing royalty fee as a percentage of sales, which varies among international markets, but is currently set at 6%.

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 65% of all purchases for 2019. 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 to purchase them and other proprietary products only from designated sources.

All food items and packaging goods for Wingstop restaurants are sourced through one distributor, Performance Food Group ("PFG"). There are sixteen geographically diverse PFG distribution centers, which carry all products required for a Wingstop restaurant and service all of Wingstop’s domestic restaurants. PFG is contractually obligated to deliver products at least twice weekly to our restaurants. PFG provides consolidated deliveries with tightly controlled and monitored cold chain. Its national distribution system has a documented recovery plan to handle any disruption. Wingstop contracts directly with manufacturers to sell products to PFG, who in turn receives a fee for delivering these items to our restaurants. The majority of Wingstop’s highest-spend items are formula or fixed-contract priced. Wingstop has also negotiated agreements with its soft drink suppliers to offer soft drink dispensing systems, along with associated branded products, in all Wingstop restaurants.

Information / Technology Systems

We have core information systems in place that we believe are designed to scale and support our future growth plans. We specify a standard POS and restaurant management system in all domestic restaurants that helps facilitate the operation of the restaurants by recording sales, purchasing and inventory of goods, managing of labor and assessing restaurant performance. Our POS and restaurant management 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 have an online ordering platform and mobile ordering apps that integrates with third party delivery providers and our POS system, which makes it easy for our guests to order-ahead, and which we believe leads to higher check averages.

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

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 28, 2019, we employed 784 team members, of whom 209 were full-time corporate-based and regional personnel. The remainder were part-time or restaurant-level employees. None of our employees are 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 and are not our employees.

Government Regulation

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 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 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 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.

In addition, we are subject to the rules and regulations of the Federal Trade Commission (the "FTC") and various state laws regulating the offer and sale of franchises. The FTC 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 FTC guidelines and all applicable state laws regulating franchising in those states in which we have offered franchises.

Our international franchised restaurants are subject to national and local laws and regulations that are often similar to those affecting our U.S. stores. We believe that we have established procedures at our international franchised restaurants that provide reasonable assurance that our international franchised restaurants comply in all material respects with the laws of the applicable foreign jurisdiction.

Environmental Matters

We are not aware of any federal, state or local environmental laws or regulations that we would expect to materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations. During 2019, there were not material environmental compliance-related capital expenditures, and no such material expenditures are anticipated in 2019.

Community Involvement

We are committed to strengthening the neighborhoods that we serve by being strong, active, corporate citizens and good neighbors. In 2016, we created Wingstop Charities, a non-profit organization dedicated to enhancing and elevating the community work of our franchisees to make a difference in the lives of our youth. You can find more about the involvement of Wingstop Charities in its local communities at www.wingstopcharities.org.

Additional Information about the Company

We make available, free of charge, through our internet website www.wingstop.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Materials filed with the SEC are also available at www.sec.gov.

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 6,000 restaurants worldwide 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 and wage rates for 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 United States, 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 at the level that 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 in our company-owned restaurants in 2019 averaged 18.1% higher than in 2018 and prices continue to stabilize and approximate 5-year averages. 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 28% and 25%

of our costs of sales in fiscal 2019 and 2018, respectively. A hypothetical 10% increase in the bone-in chicken wing costs for fiscal 2019 would have increased cost of sales by approximately $1.2 million for fiscal 2019.

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. As a result, 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. 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 continue to represent the substantial majority of our revenue in the future. As of December 28, 2019, we had 290 domestic franchisees operating 1,200 domestic restaurants and 9 international franchisees operating 154 international restaurants. Our largest franchisee operated 91 restaurants and our top 10 franchisees operated a total of 485 restaurants as of December 28, 2019. 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 the quality of operations at our franchised restaurants that impact 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 under the U.S. 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. Additionally, 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.

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.

Also, 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.

Additionally, 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.

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 infection, 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 ensure 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. Moreover, 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 coronovirus, 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.

Our expansion into new and existing 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 new markets through greater investments in advertising and promotional activity than we originally planned, which could negatively impact the profitability of our operations in such 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 could negatively affect unit economics.

We also intend to continue opening new franchised restaurants in our existing markets as a core part of our growth strategy. 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.

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 individual restaurants and restaurant chains 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. Tightness in the labor market or union activity could also raise costs for our franchisees and us.

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, 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 and from home delivery meal plan services, 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, more efficient operations, and more convenient offerings 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.

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 by us 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, PFG for distribution, The Coca-Cola Company, and other suppliers. In 2019, we and our franchisees purchased products from approximately 118 approved suppliers, with approximately 10 of such suppliers providing 78%, 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, and our focus on a limited menu could make these consequences more severe.

Our 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 operating results may fluctuate significantly because of a number of 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.

Accordingly, results for any one fiscal quarter or year are not necessarily indicative of results to be expected for any other fiscal quarter or year and our results for any particular future period may decrease compared to the prior period. 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, cyber incidents or deficiencies in cybersecurity could result and negatively impact our business by causing data loss, a disruption to our operations, a compromise or corruption of confidential information, damage to our employee and business relationships and reputation, and/or litigation and liability, all of which could subject us to loss and harm our brand.

Privacy protection is increasingly demanding, and as our reliance on technology increases, so have the risks posed to our systems, both internal and those we have outsourced. The use of electronic payment methods and collection of other personal information expose us and our franchisees to increased risk of cyber incidents, privacy and/or security breaches, and other risks. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information about customers, franchisees, vendors, and employees. 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 to card processors. Additionally, we collect and store personal information from individuals, including our customers, franchisees, and employees. We rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmitting, and storing such information. The use of personally identifiable information by us is regulated by foreign, federal, and state laws, which continue to evolve, as well as by certain third-party agreements. As privacy and information security laws and regulations change, we may incur additional costs to ensure that it remains in compliance with those laws and regulations. See "*Changing regulations relating to privacy, information security, and data protection could increase our costs, affect or limit how we collect and use personal information, and harm our brand*" below for a further discussion on privacy, information security, and data protection regulations.

Our franchisees, contractors, and third parties with whom we do business have experienced security breaches in which credit and debit card information could have been stolen and we, our franchisees, contractors, and third parties with whom we do business may experience security breaches in which credit and debit card information is stolen in the future. A number of retailers and other companies have also recently experienced serious cyber incidents and breaches of their information technology systems. Although our business uses secure means 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 payments 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 ("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 POS and must 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 confidential information and may purposefully or inadvertently cause a breach involving such information. Third parties may have the technology or know-how to breach the security of the personal information collected, stored, or transmitted by us or our franchisees, and our or their respective security measures, as well as those of our and their technology vendors, may not effectively prohibit others from obtaining improper access to this information. Advances in computer and software capabilities and encryption technology, new tools, and other developments may increase the risk of such a breach. If a person is able to circumvent the security measures of our business or those of third parties, he or she could destroy or steal valuable information or disrupt the operations of our business. If our employees, franchisees, or vendors fail to comply with applicable laws, regulations, or contract terms, and this information is obtained by unauthorized persons, used inappropriately, or destroyed, it could adversely affect our reputation and could disrupt our operations and result in costly litigation, judgments, or penalties resulting from violation of federal and state laws and payment card industry regulations. 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. A cyber incident could also require us to notify customers, employees, or other groups, result in adverse publicity, loss of sales and profits, increase fees payable to third parties, and result in penalties or remediation and other costs that could adversely affect the operation of our business and results of operations. 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.

Changing regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information, and harm our brand.

The United States, the European Union, and other countries in which we operate are increasingly adopting or revising privacy, information security, and data protection laws and regulations that could have a significant impact on our current and planned privacy, data protection, and information security-related practices, our collection, use, sharing, retention, and safeguarding of consumer and/or employee information, and some of our current or planned business activities. In the United States, these include rules and regulations promulgated under the authority of the FTC, the Health Insurance Portability and Accountability Act of 1996, federal and state labor and employment laws, state data breach notification laws, and state privacy laws such as the California Consumer Privacy Act of 2018. Many of these laws and regulations provide consumers and employees with a private right of action if a covered company suffers a data breach related to a failure to implement reasonable data security measures. In the European Union, this includes the General Data Protection Regulation, which came into effect in May 2018. The legal framework around privacy issues is rapidly evolving, as various federal and state government bodies are considering adopting new privacy laws and regulations, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store, or transmit the personal information and other data of our customers or employees. Compliance with privacy, data protection, and information security laws affecting customer or employee data to which we are subject could result in additional costs, and our failure to comply with such laws could result in potentially significant regulatory investigations or government actions, penalties or remediation, and other costs, as well as adverse publicity, loss of sales and profits, and an increase in fees payable to third parties. All of these implications could adversely affect our revenues, results of operations, business, and financial condition.

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 Ad 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 Ad 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 Ad 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.

There are risks associated with our increasing dependence on digital commerce platforms to maintain and grow sales, and aspects of our information technology systems may experience disruptions, which could harm our ability to compete and conduct our business.

Customers are increasingly using e-commerce websites and apps, both domestically and internationally, like wingstop.com and our mobile ordering application, to order and pay for our products. As a result, we and our franchisees are increasingly reliant on digital ordering and payment as a sales channel. These digital ordering and payment platforms could be damaged or interrupted by power loss, technological failures, user errors, cyber-attacks, other forms of sabotage or acts of God. In particular, we and our franchisees rely on digital orders for a significant portion of our sales and could experience interruptions of our digital ordering platform, which could limit or delay customers' ability to order through such platforms. Any such limitation or delay could negatively impact our and our franchisees' sales and customer experience and perception. In addition, if our digital ordering platforms do not meet customers' expectations in terms of security, speed, attractiveness, or ease of use, customers may be less inclined to return to such digital ordering platforms, which could negatively impact our sales, results of operations and financial condition.

As we expand our third party delivery service to additional markets nationwide, any failure by us or our third party delivery partners to provide timely and reliable delivery services may materially and adversely affect our business and reputation.

In 2017, we initiated a delivery test in three markets, partnering with a third party delivery service provider. Late in 2018, we began a process of rolling out delivery nationwide, and by the end of 2019, delivery was available to approximately 94% of our domestic system.

Interruptions or failures in our delivery services could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our delivery partners, such as inclement weather, natural disasters, transportation disruptions, or labor unrest. The occurrence of food safety or product quality issues may also result in interruptions or failures in our delivery service. If our products are not delivered on time and in proper condition, customers may refuse to accept our products and have less confidence in our services, in which case our business and reputation may suffer.

If our third party delivery service provider fails to follow the quality standards or other terms that they agreed to with us, it could result in harm to our business and reputation and could also force us to pursue arrangements with alternative delivery service providers, which could result in an interruption to our delivery services. Delivery is a relatively new service for our business, and it is difficult for us to anticipate the level of sales that delivery may generate, operational challenges we may face or the experiences our guests will have with this offering. These factors may adversely impact our sales and our brand reputation. We also incur additional costs associated with delivery orders, and it is possible that these orders could cannibalize more profitable in-restaurant visits or carry out orders.

Uncertainty in the 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. In the last several years, this principle has been the subject of differing and inconsistent interpretations at the National Labor Relations Board and in the courts, and the question of whether a franchisor can be held liable for the actions or liabilities of a franchisee under a vicarious liability theory, sometimes called "joint employer," has become highly fact dependent and generally uncertain. A determination that we are a "joint employer" with our franchisees or that our franchisees are part of one unified system subject to joint and several liability could subject us and/or our franchisees to liability for employment-related and other liabilities of our franchisees and could cause us to incur other costs that have a material adverse effect on our results of operations.

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 ("ADA"), religious freedom laws, the Fair Labor Standards Act, other employment-related laws, the Occupational Safety and Health Act, the Employee Retirement Income Security Act of 1974, as amended, 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, or 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 ("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.

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 4% 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 1% of gross sales directly on local advertising. Franchisees also may be required to contribute approximately 2% 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 one percent minimum local advertising 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 some of these trends, including the trend 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 fries, 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 have a materially adverse effect on 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 and 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 and/or have enacted legislation prohibiting the sales of certain types of ingredients in restaurants. 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.

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

As of December 28, 2019, 57% of our 1,231 domestic restaurants were spread across Texas (29%), California (22%) 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, or the enactment of 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.

Our business is subject to various laws and regulations and changes in such laws and regulations, and/or our 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 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 U.S. federal, state, local, and foreign laws affecting the operation of 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.

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 either have or eventually will increase the minimum wage in such regions to up to $15 an hour or higher. 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.

Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. We currently participate in the “E-Verify” program, an Internet-based, free program run by the U.S. government to verify employment eligibility, in all of our restaurants and in our corporate support office. However, use of the “E-Verify” program does not guarantee that we will successfully identify all applicants who are ineligible for employment. Unauthorized workers may subject us to fines or penalties, and if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and it may be more difficult to hire and keep qualified employees. Failure by our franchisees to comply with immigration laws may also result in additional adverse publicity and reputational harm to our brand. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. These factors could materially adversely affect our business, financial condition or results of operations.

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.

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.

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 food service 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 and 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.

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 28, 2019, we have franchised restaurants in nine international countries 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;
- the impact of the United Kingdom’s pending exit from the European Union;
- political and economic instability; and
- other external factors.

Our international expansion efforts may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions. Therefore, as we continue to expand internationally, we or our franchisees may not experience the operating margins we expect, our results of operations may be negatively impacted, and our common stock price may decline.

The terms of our securitized debt financing through certain of our wholly-owned subsidiaries include restrictive terms, and our failure to comply with any of these terms could result in a default, which would have an adverse effect on our business and prospects.

Unless and until we repay all outstanding borrowings under our securitized debt facility, we will remain subject to the restrictive terms of these borrowings. The securitized debt facility, under which certain of our wholly-owned subsidiaries issued and guaranteed fixed rate notes and variable funding notes, contain a number of covenants, with the most significant financial covenant being a debt service coverage calculation. These covenants limit our ability and the ability of certain of our subsidiaries to, among other things:

- incur additional indebtedness;
- alter the business we conduct;
- make certain changes to the composition of our management team;
- 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.

The securitized debt facility also requires us to maintain specified financial ratios. Our ability to meet these financial ratios can be affected by events beyond our control, and we may not satisfy such a test. A breach of these covenants could result in a rapid amortization event or default under the securitized debt facility. If amounts owed under the securitized debt facility are accelerated because of a default and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets.

If we are unable to refinance or repay amounts under the securitized debt facility prior to the expiration of the applicable term, our cash flow would be directed to the repayment of the securitized debt and, other than management fees sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business.

No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations.

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, in the amounts projected or at all, or if future borrowings are not available to us under our variable funding notes in amounts sufficient to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal amortization and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures, or seek additional equity investments. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to effect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed.

The indenture governing the securitized debt restricts the cash flow from the entities subject to the securitization to any of our other entities and upon the occurrence of certain events, cash flow would be further restricted.

In the event that a rapid amortization event occurs under the indenture governing the securitized debt (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of the applicable term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business.

We depend upon our executive officers and other key employees 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. Additionally, our business strategy includes successfully attracting and retaining talented employees. The market for highly skilled employees and leaders in the restaurant industry is extremely competitive. Our inability to successfully recruit and retain talented executive officers and other key employees 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, the departure of any of our executive officers or key employees 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 and other key employees. Our inability to attract and retain qualified executive officers and other key employees in the future could impair our growth and harm our business.

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.

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 amended and restated 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 or by the chairman of the 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 staggered three-year 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, to the fullest extent permitted by law, 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.

In addition, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in such action. Specifically, the choice of forum provision requiring that the Court of Chancery in the State of Delaware be the exclusive forum for certain suits would (i) not be enforceable with respect to any suits brought to enforce any liability or duty created by the Exchange Act, and (ii) have uncertain enforceability with respect to claims under the Securities Act. The choice of forum provision in our amended and restated certificate of incorporation does not have the effect of causing our stockholders to have waived our obligation to comply with the federal securities laws and the rules and regulations thereunder.

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, we have paid special dividends 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 or 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 28, 2019, we and our franchisees operated 1,385 restaurants in 44 states and 10 countries.

The chart below shows the locations of our restaurants as of December 28, 2019:

State	Franchise restaurants	Company-owned restaurants	Total restaurants
Alabama	6	—	6
Alaska	2	—	2
Arizona	35	—	35
Arkansas	10	—	10
California	273	—	273
Colorado	29	—	29
Connecticut	4	—	4
Delaware	2	—	2
Florida	69	—	69
Georgia	35	—	35
Hawaii	2	—	2
Idaho	3	—	3
Illinois	68	—	68
Indiana	14	—	14
Iowa	5	—	5
Kansas	2	3	5
Kentucky	6	—	6
Louisiana	22	—	22
Maryland	22	—	22
Massachusetts	6	—	6
Michigan	13	—	13
Minnesota	2	—	2
Mississippi	11	—	11
Missouri	15	1	16
Nebraska	3	—	3
Nevada	12	5	17
New Hampshire	2	—	2
New Jersey	14	—	14
New Mexico	10	—	10
New York	19	—	19
North Carolina	19	—	19
Ohio	26	—	26
Oklahoma	15	—	15
Oregon	5	—	5
Pennsylvania	10	—	10
South Carolina	10	—	10
South Dakota	1	—	1
Tennessee	17	—	17
Texas	330	22	352
Utah	5	—	5
Virginia	22	—	22
Washington	14	—	14
West Virginia	1	—	1
Wisconsin	9	—	9
Domestic Total	**1,200**	**31**	**1,231**

International			
Colombia	4	—	4
France	1	—	1
Indonesia	33	—	33
Malaysia	4	—	4
Mexico	91	—	91
Panama	3	—	3
Singapore	7	—	7
United Arab Emirates	8	—	8
United Kingdom	3	—	3
International Total	**154**	**—**	**154**
Worldwide Total	**1,354**	**31**	**1,385**

We are obligated under non-cancelable leases for our company-owned restaurants and our current 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. On June 19, 2019, we entered into an agreement to purchase an office building in Addison, Texas for a purchase price of $18.3 million, which closed in the third quarter of 2019 and was funded with cash on hand. The building, which contains approximately 78,000 square feet of office space, will be used for our headquarters.

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

Our common stock has traded on the NASDAQ Global Market under the symbol “WING” since June 12, 2015. Before then, there was no public market for our common stock.

As of February 18, 2020, there were 5 shareholders of record of our common stock. This number excludes stockholders whose stock is held in nominee or street name by brokers.

Recent Sales of Unregistered Securities

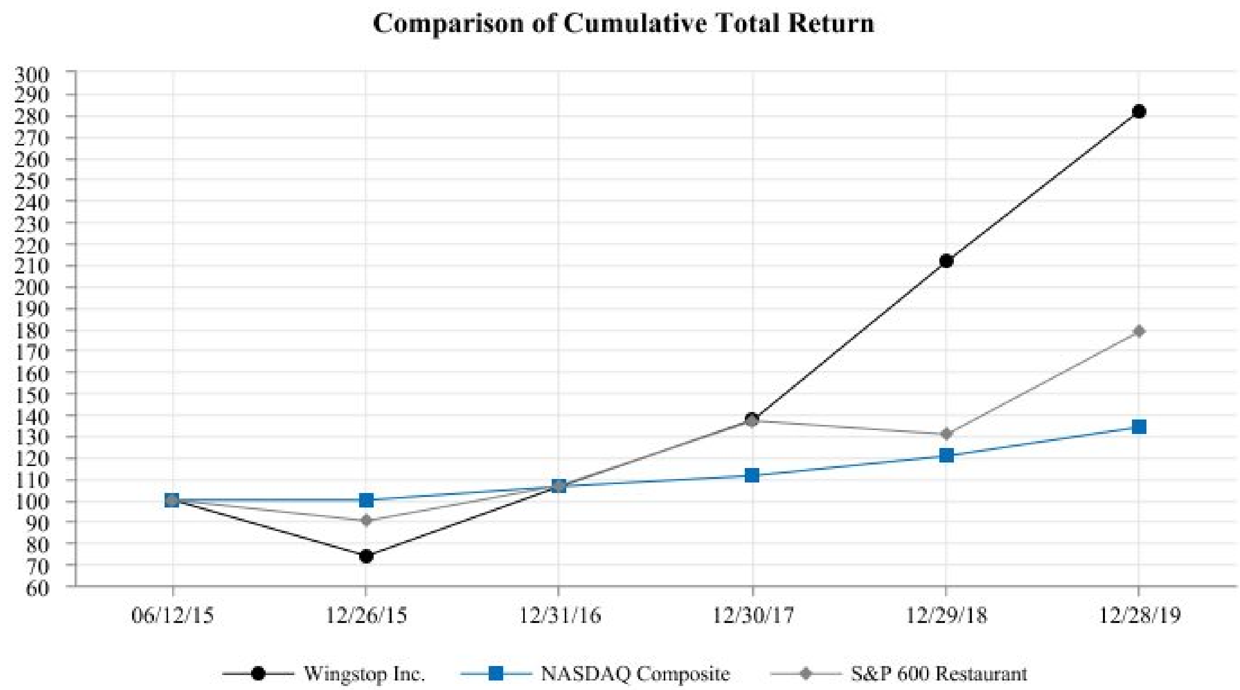
There were no sales of unregistered securities during the fiscal year ended December 28, 2019 that were not previously reported on a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the fourth quarter of the fiscal year ended December 28, 2019.

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 SEC and it is not “soliciting material”, and should not be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.



Item 6. Selected Financial Data

The selected financial 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 28, 2019, December 29, 2018, December 30, 2017, and December 26, 2015 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 selected 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 selected financial data may not be indicative of our future performance.

	Year ended				
(in thousands)	**December 28, 2019**	**December 29, 2018**	**December 30, 2017**	**December 31, 2016**	**December 26, 2015***
Consolidated Statements of Income Data:					
Revenue:					
Royalty revenue, franchise fees and other	$ 88,291	$ 71,858	$ 66,076	$ 54,475	$ 46,688
Advertising fees and related income	55,932	34,484	30,174	14,561	—
Company-owned restaurant sales	55,453	46,839	37,069	34,288	31,281
Total revenue	199,676	153,181	133,319	103,324	77,969
Cost and expenses:					
Cost of sales	41,105	32,063	28,745	25,308	22,219
Advertising expenses	52,891	33,699	32,427	13,849	—
Selling, general and administrative	57,295	44,579	34,898	34,552	33,350
Depreciation and amortization	5,484	4,313	3,376	3,008	2,682
Total costs and expenses	156,775	114,654	99,446	76,717	58,251
Operating income	42,901	38,527	33,873	26,607	19,718
Interest expense, net	17,136	10,123	5,131	4,396	3,477
Other expense, net	—	1,477	—	254	396
Income before tax expense	25,765	26,927	28,742	21,957	15,845
Income tax expense	5,289	5,208	4,802	8,188	5,739
Net income	$ 20,476	$ 21,719	$ 23,940	$ 13,769	$ 10,106
Consolidated Statement of Cash Flows Data:					
Net cash provided by operating activities	$ 38,583	$ 38,770	$ 27,435	$ 21,879	$ 13,860
Net cash used in investing activities	(23,731)	(10,498)	(6,484)	(2,056)	(1,915)
Net cash used in financing activities	(14,617)	(13,724)	(20,252)	(28,213)	(10,978)
Net increase (decrease) in cash and cash equivalents	$ 235	$ 14,548	$ 699	$ (8,390)	$ 967

* Fiscal year 2015 has not been adjusted to reflect the adoption of the new accounting standards adopted in fiscal year 2018.

(in thousands, except per share data)		Year ended December 28, 2019		December 29, 2018		December 30, 2017		December 31, 2016		December 26, 2015[1]
Per Share data:										
Earnings per share										
Basic	$	0.70	$	0.74	$	0.82	$	0.48	$	0.37
Diluted	$	0.69	$	0.73	$	0.82	$	0.47	$	0.36
Weighted average shares outstanding										
Basic		29,415		29,231		29,025		28,637		27,497
Diluted		29,670		29,587		29,424		28,983		27,816
Dividends per share	$	0.40	$	6.54	$	0.14	$	2.90	$	1.83
Selected Other Data [2]:										
Number of system-wide restaurants open at end of period		1,385		1,252		1,133		998		845
Number of domestic company restaurants open at end of period		31		29		23		21		19
Number of domestic franchise restaurants open at end of period		1,200		1,095		1,004		901		767
Number of international franchise restaurants open at end of period		154		128		106		76		59
System-wide sales[3]	$	1,514,590	$	1,261,025	$	1,087,434	$	972,270	$	821,248
Domestic restaurant AUV[4]	$	1,246	$	1,139	$	1,100	$	1,113	$	1,126
Company-owned domestic AUV[4]	$	1,874	$	1,723	$	1,712	$	1,729	$	1,646
Number of restaurants opened (during period)		146		139		147		159		142
Number of restaurants closed (during period)		13		20		12		6		9
Company-owned restaurants (acquired) refranchised (during period)		(1)		(6)		(2)		—		—
EBITDA [5]	$	48,385	$	41,363	$	37,249	$	29,361	$	22,004
Adjusted EBITDA [5]	$	56,989	$	48,986	$	39,100	$	32,980	$	28,879
Same Store Sales Data[6]:										
System-wide domestic same store sales base (end of period)		1,109		1,018		904		779		667
System-wide domestic same store sales growth		11.1 %		6.5 %		2.6 %		3.2 %		7.9 %

(in thousands)		As of December 28, 2019		December 29, 2018		December 30, 2017		December 31, 2016		December 26, 2015[1]
Consolidated Balance Sheet Data:										
Cash and cash equivalents	$	12,849	$	12,493	$	4,063	$	3,750	$	10,690
Working capital		(2,739)		3,424		(3,217)		(5,863)		7,050
Total assets		166,113		139,749		119,836		111,800		120,650
Total debt		317,600		320,000		133,750		151,250		95,500
Total shareholders' deficit		(209,428)		(224,830)		(58,418)		(81,431)		(9,673)

(1) Fiscal year 2015 has not been adjusted to reflect the adoption of the new accounting standards in adopted in fiscal year 2018.
(2) See the definitions of key performance indicators under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Indicators."
(3) The percentage of system-wide sales attributable to company-owned restaurants was 3.7%, 3.7%, 3.4%, 3.5%, and 3.8% for the fiscal years ended December 28, 2019, December 29, 2018, December 30, 2017, December 31, 2016, and December 26, 2015, respectively. The remainder was generated by franchised restaurants, as reported by our franchisees.
(4) Domestic AUV and company-owned domestic AUV are calculated using the 52-week trailing period.
(5) 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, costs and fees associated with investments in our strategic initiatives, 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 certain financial covenants. 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, costs and fees associated with investments in our strategic initiatives, 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 28, 2019**	**December 29, 2018**	**December 30, 2017**	**December 31, 2016**	**December 26, 2015[(a)]**
Net income	$ 20,476	$ 21,719	$ 23,940	$ 13,769	$ 10,106
Interest expense, net	17,136	10,123	5,131	4,396	3,477
Income tax expense	5,289	5,208	4,802	8,188	5,739
Depreciation and amortization	5,484	4,313	3,376	3,008	2,682
EBITDA	$ 48,385	$ 41,363	$ 37,249	$ 29,361	$ 22,004
Adjustments:					
Management fees[(b)]	—	—	—	—	237
Management agreement termination fee[(c)]	—	—	—	—	3,297
Transaction costs[(d)]	—	3,898	—	2,388	2,186
Consulting fees[(e)]	1,630	—	—	—	—
Stock-based compensation expense[(f)]	6,974	3,725	1,851	1,231	1,155
Adjusted EBITDA	$ 56,989	$ 48,986	$ 39,100	$ 32,980	$ 28,879

(a) Fiscal year 2015 has not been adjusted to reflect the adoption of the new accounting standards adopted in fiscal year 2018.

(b) Includes management fees and other out-of-pocket expenses paid to Roark Capital Management, LLC ("Roark Capital Management").

(c) 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.

(d) Represents costs and expenses related to the refinancings of our credit agreement and our public offerings; all transaction costs are included in SG&A with the exception of $1.5 million during the year ended December 29, 2018, $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.

(e) Represents costs and expenses related to a consulting project to support the Company's strategic initiatives, which are included in SG&A.

(f) Includes non-cash, stock-based compensation.

(6) 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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the accompanying audited consolidated financial statements and notes. Forward-looking statements in this MD&A are not guarantees of future performance and may involve risks and uncertainties that could cause actual results to differ materially from those projected. Refer to the "Forward-Looking Statements" section of this MD&A and Item 1A. Risk Factors for a discussion of these risks and uncertainties.

A comparison of our results of operations and cash flows for fiscal year 2018 compared to fiscal year 2017 can be found under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018, filed with the SEC on February 27, 2019.

Overview

Wingstop is the largest fast casual chicken wings-focused restaurant chain in the world and has demonstrated strong, consistent growth. As of December 28, 2019, we had a total 1,385 restaurants in our system. Our restaurant base is 98% franchised, with 1,354 franchised locations (including 154 international locations) and 31 company-owned restaurants as of December 28, 2019.

Wingstop generates revenues by charging royalties, advertising fees and franchise fees to our franchisees and by operating a number of our own restaurants. We report our business in two reporting segments: franchise operations and company restaurant operations. During 2019, our franchise and company restaurant segments accounted for approximately 72% and 28% of our consolidated revenues, respectively. Financial data for our reporting segments is included in the audited consolidated financial statements and the related notes thereto included elsewhere in this report.

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 same store sales have increased for 16 consecutive years beginning in 2004, which includes 5-year cumulative domestic same stores sales growth of 31.3% since the beginning of fiscal year 2015. 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 2019:

- System-wide restaurant count increased 10.6% over the prior year to a total of 1,385 worldwide locations, driven by 133 net unit openings;
- Domestic same store sales increased 11.1% over the prior year;
- Company-owned restaurant same store sales increased 9.8% over the prior year;
- System-wide sales increased 20.1% over the prior year to $1.5 billion;
- Total revenue increased 30.4% over the prior year to $199.7 million; and
- Net income decreased 5.7% over the prior year to $20.5 million, while Adjusted EBITDA increased 16.3% over the prior year to $57.0 million.

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 28, 2019	**December 29, 2018**
Domestic Franchised Activity:		
Beginning of period	1,095	1,004
Openings	114	105
Closures	(8)	(8)
Acquired by Company	(1)	(6)
Restaurants end of period	1,200	1,095
Domestic Company-Owned Activity:		
Beginning of period	29	23
Openings	1	—
Closures	—	—
Acquired from franchisees	1	6
Restaurants end of period	31	29
Total Domestic Restaurants	**1,231**	**1,124**
International Franchised Activity:		
Beginning of period	128	106
Openings	31	34
Closures	(5)	(12)
Restaurants end of period	154	128
Total System-wide Restaurants	**1,385**	**1,252**

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, a management agreement termination fee, transaction costs, costs and fees associated with investments in our strategic initiatives, 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 28, 2019 and December 29, 2018 (in thousands, except unit data):

	Year ended	
	December 28, 2019	December 29, 2018
Number of system-wide restaurants at period end	1,385	1,252
System-wide sales	$ 1,514,590	$ 1,261,025
Domestic restaurant AUV	$ 1,246	$ 1,139
Domestic same store sales growth	11.1 %	6.5 %
Company-owned domestic same store sales growth	9.8 %	6.2 %
Total revenue	$ 199,676	$ 153,181
Net income	$ 20,476	$ 21,719
Adjusted EBITDA	$ 56,989	$ 48,986

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, contributions to the Wingstop Restaurants Advertising Fund (the "Ad Fund") 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. Franchise 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, transfer fees, and termination fees. Initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Our performance obligation under development agreements and international territory agreements generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for development rights are apportioned to each franchise restaurant opened by the franchisee and are accounted for as initial franchise fees. 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.

Ad Fund contributions are earned from domestic franchisees based on a percentage of gross sales net of discounts. Ad Fund contributions were equal to 3% in fiscal year 2018 and 4% in fiscal year 2019.

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.

Advertising expenses. Advertising expenses are recognized at the same time the related revenue is recognized, which does not necessarily correlate to the actual timing of the related advertising spend. Advertising expenses consist of advertising, public relations, and administrative expenses to increase sales and further enhance the public reputation of the Wingstop brand.

Selling, general and administrative. SG&A costs consist of wages, benefits, franchise development expenses, other compensation, travel, marketing, accounting fees, legal 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, net. Interest expense, net includes expenses related to borrowings under our securitized financing facility and amortization of deferred debt issuance costs, net of interest income earned on investments.

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 fiscal years ended December 28, 2019 and December 29, 2018 expressed as a percentage of total revenue:

	Fiscal Year	
	December 28, 2019	**December 29, 2018**
Revenue:		
Royalty revenue, franchise fees and other	44.2 %	46.9 %
Advertising fees and related income	28.0 %	22.5 %
Company-owned restaurant sales	27.8 %	30.6 %
Total revenue	100.0 %	100.0 %
Costs and expenses:		
Cost of sales (1)	74.1 %	68.5 %
Advertising expenses	26.5 %	22.0 %
Selling, general and administrative	28.7 %	29.1 %
Depreciation and amortization	2.7 %	2.8 %
Total costs and expenses	78.5 %	74.8 %
Operating income	21.5 %	25.2 %
Interest expense, net	8.6 %	6.6 %
Other expense, net	— %	1.0 %
Income before income tax expense	12.9 %	17.6 %
Income tax expense	2.6 %	3.4 %
Net income	10.3 %	14.2 %

(1) As a percentage of company-owned restaurant sales. Includes all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented 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 28, 2019 compared to year ended December 29, 2018

The following table sets forth information comparing the components of net income in fiscal year 2019 and fiscal year 2018 (in thousands):

	Year ended		Increase / (Decrease)	
	December 28, 2019	**December 29, 2018**	**$**	**%**
Revenue:				
Royalty revenue, franchise fees and other	$ 88,291	$ 71,858	$ 16,433	22.9 %
Advertising fees and related income	55,932	34,484	21,448	62.2 %
Company-owned restaurant sales	55,453	46,839	8,614	18.4 %
Total revenue	199,676	153,181	46,495	30.4 %
Costs and expenses:				
Cost of sales [(1)]	41,105	32,063	9,042	28.2 %
Advertising expenses	52,891	33,699	19,192	57.0 %
Selling, general and administrative	57,295	44,579	12,716	28.5 %
Depreciation and amortization	5,484	4,313	1,171	27.2 %
Total costs and expenses	156,775	114,654	42,121	36.7 %
Operating income	42,901	38,527	4,374	11.4 %
Interest expense, net	17,136	10,123	7,013	69.3 %
Other expense, net	—	1,477	(1,477)	N/A
Income before income tax expense	25,765	26,927	(1,162)	(4.3)%
Income tax expense	5,289	5,208	81	1.6 %
Net income	$ 20,476	$ 21,719	$ (1,243)	(5.7)%

(1) Cost of sales includes all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented separately.

Total revenue. Total revenue was $199.7 million in fiscal year 2019, an increase of $46.5 million, or 30.4%, compared to $153.2 million in the prior fiscal year.

Royalty revenue, franchise fees and other. Royalty revenue and franchise fees were $88.3 million in fiscal year 2019, an increase of $16.4 million, or 22.9%, compared to $71.9 million in the prior fiscal year. Royalty revenue increased by $13.2 million primarily due to 131 net franchise restaurant openings and domestic same store sales growth of 11.1%. Other revenue increased $2.0 million primarily due to contributions received for our franchisee convention that occurred in the fourth quarter of 2019.

Advertising fees and related income. Advertising fees and related income were $55.9 million in fiscal year 2019, an increase of $21.4 million, or 62.2%, compared to $34.5 million in the comparable period in 2018. Advertising fees increased primarily due to the increase in the Ad Fund contribution rate from 3% to 4% of gross sales beginning in fiscal year 2019 as well as a 20.1% increase in system-wide sales in fiscal year 2019 compared to the prior fiscal year.

Company-owned restaurant sales. Company-owned restaurant sales were $55.5 million in fiscal year 2019, an increase of $8.6 million, or 18.4%, compared to $46.8 million in the prior fiscal year. The increase was primarily due to the acquisition of six franchised restaurants and the opening of one company-owned restaurant since the beginning of the prior year, resulting in additional sales of $4.1 million, as well as an increase in company-owned same store sales of 9.8%, which was primarily driven by an increase in transactions.

Cost of sales. Cost of sales was $41.1 million in fiscal year 2019, an increase of $9.0 million, or 28.2%, compared to $32.1 million in the prior fiscal year. Cost of sales as a percentage of company-owned restaurant sales was 74.1% in fiscal year 2019 compared to 68.5% in the prior fiscal year.

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

	Year ended December 28, 2019	As a % of company-owned restaurant sales	Year ended December 29, 2018	As a % of company-owned restaurant sales
Cost of sales:				
Food, beverage and packaging costs	20,317	36.6 %	15,540	33.2 %
Labor costs	12,582	22.7 %	10,493	22.4 %
Other restaurant operating expenses	9,794	17.7 %	7,223	15.4 %
Vendor rebates	(1,588)	(2.9) %	(1,193)	(2.5) %
Total cost of sales	$ 41,105	74.1 %	$ 32,063	68.5 %

Food, beverage and packaging costs as a percentage of company-owned restaurant sales were 36.6% in fiscal year 2019 compared to 33.2% in the prior fiscal year. The increase is primarily due to a 18.1% increase in the cost of bone-in chicken wings compared to the prior fiscal year.

Labor costs as a percentage of company-owned restaurant sales were 22.7% in fiscal year 2019 compared to 22.4% in the prior fiscal year. The increase as a percentage of company-owned restaurant sales was primarily due to an investment in labor as well as training associated with the three franchised restaurants that we acquired in the fiscal fourth quarter of 2018 as these acquired restaurants operate at lower AUVs than our other company-owned restaurants, as well as increases in the wage rate and labor hours to support the growth in the business. These increases were largely offset by the increase in company-owned domestic same store sales of 9.8%.

Other restaurant operating expenses as a percentage of company-owned restaurant sales were 17.7% in fiscal year 2019 compared to 15.4% in the prior fiscal year. The increase as a percentage of company-owned restaurant sales was due to an increase in the Ad Fund contribution rate from 3% to 4% of gross sales beginning in fiscal year 2019, an increase in third-party delivery fees due to the completion of the launch of delivery at all company-owned restaurants in the second quarter of 2019, as well as other restaurant operating expenses associated with the three franchised restaurants that we acquired in the fiscal fourth quarter of 2018 as these newer restaurants operate at lower AUVs than our other company-owned restaurants. These increases were slightly offset by the increase in company-owned same store sales of 9.8%.

Advertising expenses. Advertising expenses were $52.9 million in fiscal year 2019, an increase of $19.2 million, or 57.0%, compared to $33.7 million in the prior fiscal year primarily due to the Ad Fund contribution rate increasing from 3% to 4% of gross sales beginning in fiscal year 2019. Advertising expenses are recognized at the same time the related revenue is recognized, which does not necessarily correlate to the actual timing of the related advertising spend.

Selling, general and administrative. SG&A expense was $57.3 million in fiscal year 2019, an increase of $12.7 million, or 28.5%, compared to $44.6 million in the prior fiscal year. The increase in SG&A expense was primarily due to an increase of $2.4 million associated with additional expenses to support our national advertising campaign and $1.3 million related to the franchisee convention, both of which have equal and offsetting contributions in revenue. Also contributing to the increase was $3.4 million in professional fees, including a $1.6 million consulting project to support the Company’s strategic initiatives, an increase of $2.0 million in headcount related expenses to support the growth of our business and an increase of $3.2 million in stock compensation expense due to the modification of certain awards in the second fiscal quarter as well as additional compensation due to the Company’s performance. Additionally, the Company incurred a $0.5 million one-time bonus associated with the execution of a new employment agreement for our Chief Executive Officer, and separately, incurred $0.6 million of severance charges associated with certain organizational changes to the senior leadership team. These year-over-year increases were offset by transaction costs of $2.4 million incurred in fiscal year 2018 related to our debt refinancing and securitization transactions and the payment of special dividends.

Depreciation and amortization. Depreciation and amortization was $5.5 million in fiscal year 2019, an increase of $1.2 million, or 27.2%, compared to $4.3 million in the prior fiscal year. The increase in depreciation and amortization was primarily due to additional capital expenditures related to investments in technology as well as additional amortization associated with reacquired franchise rights resulting from the acquisition of franchised restaurants.

Interest expense, net. Interest expense was $17.1 million in fiscal year 2019, an increase of $7.0 million from $10.1 million in the prior fiscal year. The increase was primarily due to a higher average outstanding debt balance and applicable interest rate related to our securitized debt facility.

Income tax expense. Income tax expense was $5.3 million in fiscal year 2019, yielding an effective tax rate of 20.5%, compared to an effective tax rate of 19.3% in the prior fiscal year. The slight increase in the effective tax rate was primarily due to an increase in state tax expense.

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

	Year Ended		Increase / (Decrease)	
	December 28, 2019	**December 29, 2018**	**$**	**%**
Revenue:				
Franchise segment	$ 144,223	$ 106,342	$ 37,881	35.6 %
Company segment	55,453	46,839	8,614	18.4 %
Total segment revenue	$ 199,676	$ 153,181	$ 46,495	30.4 %
Segment Profit:				
Franchise segment	$ 33,683	$ 30,645	$ 3,038	9.9 %
Company segment	9,218	10,303	(1,085)	(10.5)%
Total segment profit	$ 42,901	$ 40,948	$ 1,953	4.8 %

Franchise segment. Franchise segment revenue was $144.2 million in fiscal year 2019, an increase of $37.9 million, or 35.6%, from $106.3 million in the prior fiscal year. Royalty revenue increased by $13.2 million primarily due to 131 net franchise restaurant openings and domestic same store sales growth of 11.1% during fiscal year 2019. Advertising fees and related income increased $21.4 million primarily due to the increase in the Ad Fund contribution rate from 3% to 4% of gross sales beginning in fiscal year 2019 as well as the 20.1% increase in system-wide sales in fiscal year 2019 compared to the prior fiscal year. Other revenue increased $2.0 million primarily due to contributions received for the franchisee convention that occurred in the fourth quarter of 2019.

Franchise segment profit was $33.7 million in fiscal year 2019, an increase of $3.0 million, or 9.9%, from $30.6 million in the prior fiscal year primarily due to the growth in franchise segment revenue, which was offset by an increase of $19.2 million in advertising expenses and an increase of $12.7 million in SG&A expenses related to increased professional fees including a $1.6 million consulting project to to support our strategic initiatives, stock-based compensation, investments to support our national advertising campaign, and an increase in expenses related to our franchisee convention held in the fourth quarter of 2019, which were offset by transaction costs of $2.4 million incurred during fiscal year 2018 related to our debt refinancing and securitization transactions and the payment of special dividends.

Company Segment. Company-owned restaurant sales were $55.5 million in fiscal year 2019, an increase of $8.6 million, or 18.4%, compared to $46.8 million in the prior fiscal year. The increase was primarily due to the acquisition of six franchised restaurants and the opening of one company-owned restaurant since the beginning of the prior year resulting in additional sales of $4.1 million and an increase in company-owned same store sales of 9.8%, which was primarily driven by an increase in transactions.

Company segment profit was $9.2 million in fiscal year 2019, a decrease of $1.1 million, or 10.5%, compared to $10.3 million in the prior fiscal year. The decrease is primarily due to a 18.1% increase in the cost of bone-in chicken wings, and an increase in the Ad Fund contribution rate from 3% to 4% of gross sales beginning in fiscal year 2019.

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 have in the past, and may in the future, refinance our existing indebtedness with new debt arrangements and utilize a portion of borrowings to return capital to our stockholders. We believe that our sources of liquidity and capital will be sufficient to finance our continued operations and growth strategy for at least the next twelve months.

The following table shows summary cash flows information for the fiscal years 2019 and 2018 (in thousands):

	Year ended	
	December 28, 2019	December 29, 2018
Net cash provided by (used in):		
Operating activities	38,583	38,770
Investing activities	(23,731)	(10,498)
Financing activities	(14,617)	(13,724)
Net change in cash and cash equivalents	$ 235	$ 14,548

Operating activities. Our cash flows from operating activities are principally 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 $38.6 million in fiscal year 2019, which was comparable the prior fiscal year.

Investing activities. Our net cash used in investing activities was $23.7 million in fiscal year 2019, an increase of $13.2 million, from $10.5 million in fiscal year 2018. The increase was primarily due to the purchase of a new corporate headquarters building for $18.3 million during the fiscal year 2019, offset by a $5.3 million decrease in cash used for restaurant acquisitions compared to the prior fiscal year.

Financing activities. Our net cash used in financing activities was $14.6 million in fiscal year 2019, an increase of $0.9 million, from $13.7 million in fiscal year 2018. The increase was primarily due to a $3.8 million increase in the aggregate amount of quarterly dividends paid to stockholders in 2019 offset by a decrease in net principal payments associated with our debt.

Senior secured credit facilities. On November 14, 2018, we entered into a securitized financing facility comprised of $320 million of Series 2018-1 4.97% Fixed Rate Senior Secured Notes, Class A-2 (the "Class A-2 Notes") as well as a variable funding note facility of Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes" and, together with the Class A-2 Notes, the "Notes"), which allow us to borrow up to $20 million as needed on a revolving basis and to issue letters of credit. We utilized approximately $314 million of proceeds from the Class A-2 Notes to repay the approximately $215 million of indebtedness under the existing credit facility and to pay a special cash dividend of approximately $89.7 million to our stockholders. As of December 28, 2019, we had no outstanding borrowings under the Variable Funding Notes, with $4.0 million letters of credit outstanding, and $317.6 million outstanding under the Class A-2 Notes. There were no amounts drawn down on the letters of credit as of December 28, 2019.

The Class A-2 Notes are subject to 1% annual amortization, bear interest at a fixed rate of 4.97% per annum, and have an anticipated repayment date of December 2023. Interest and principal payments on the Notes are payable on a quarterly basis.

Dividends. We paid quarterly cash dividends of $0.09 per share of common stock aggregating $5.2 million for the first two quarters of 2019. We paid quarterly cash dividends of $0.11 per share of common stock aggregating $6.5 million for the third and fourth quarters of 2019. On February 18, 2020, the Company's board of directors approved a dividend of $0.11 per share, to be paid on March 20, 2020 to stockholders of record as of March 6, 2020, totaling approximately $3.2 million.

We do not currently expect the restrictions in our debt instruments 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 28, 2019 (in thousands):

	Payments due by period			
	Fiscal year 2020	Fiscal years 2021-2022	Fiscal years 2023-2024	Thereafter
2018-1 Class A-2 Senior Secured Notes	$ 3,200	$ 6,400	$ 308,000	$ —
Operating leases (a)	2,219	4,230	3,140	1,492
Interest payments	15,805	31,133	15,328	—
Total	$ 21,224	$ 41,763	$ 326,468	$ 1,492

(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

The Company is required to provide standby letters of credit related to our securitized financing facility. Although the letters of credit are off-balance sheet, the obligations to which they relate are reflected as liabilities in the Consolidated Balance Sheet. Outstanding letters of credit totaled $4.0 million at December 28, 2019. We do not believe that these arrangements have or are likely to have a material effect on our results of operations, financial condition, revenues or expenses, capital expenditures or liquidity.

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

Revenue from contracts with customers consists primarily of royalties, Ad Fund contributions, initial and renewal franchise fees and upfront fees from development agreements and international territory agreements. Our performance obligations under franchise agreements consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the Ad Fund, development of training materials and menu items and restaurant monitoring. These performance obligations are highly interrelated so we do not consider them to be individually distinct and therefore account for them as a single performance obligation, which is satisfied by providing a right to use our intellectual property over the term of each franchise agreement.

Royalties, including franchisee contributions to the Ad Fund, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee prior to the restaurant opening or at the time of a renewal of an existing franchise agreement. Our franchise agreement royalties, inclusive of Ad Fund contributions, represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchise sales occur. Additionally, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Our performance obligation under development agreements and international territory agreements generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for development rights are deferred and apportioned to each franchise restaurant opened by the franchisee. The pro rata amount apportioned to each restaurant is accounted for as an initial franchise fee.

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 28.2% and 25.4% of our company-owned restaurant costs of sales in fiscal years 2019 and 2018. A hypothetical 10.0% increase in the bone-in chicken wing costs in fiscal year 2019 would have increased costs of sales by approximately $1.2 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. Our long-term debt, including current portion, consisted entirely of the $317.6 million incurred under the Notes as of December 28, 2019 (excluding unamortized debt issuance costs). The Company's predominantly fixed-rate debt structure has reduced its exposure to interest rate increases that could adversely affect its earnings and cash flows, but the Company remains exposed to changes in market interest rates reflected in the fair value of the debt and to the risk that the Company may need to refinance maturing debt with new debt as a higher rate. The Company is exposed to interest rate increases under the Variable Funding Notes; however, the Company had no outstanding borrowings under its Variable Funding Notes as of December 28, 2019, net of letters of credit issued of $4.0 million.

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 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 28, 2019 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 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 28, 2019. 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 28, 2019, our internal control over financial reporting is effective based on those criteria.

KPMG 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 28, 2019.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Wingstop Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Wingstop Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 28, 2019, the related consolidated statements of operations, stockholders' deficit, and cash flows for the year ended December 28, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 19, 2020, expressed an unqualified opinion on those consolidated financial statements.

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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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/ KPMG LLP

Dallas, Texas
February 19, 2020

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 will be included in our definitive Proxy Statement for the 2020 Annual Meeting of Shareholders and such disclosure is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this Item 11 will be included in our definitive Proxy Statement for the 2020 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 required by Item 201(d) of Regulation S-K, required by this Item 12 will be included in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item 13 will be included in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders and such disclosure is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The Company’s independent registered public accounting firm is KPMG LLP. Information regarding required by this Item 14 will be included in our definitive Proxy Statement for the 2020 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 Company's Registration Statement 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 as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2017 (File No. 001-37425) and incorporated herein by reference.
4.1	Form of Stock Certificate for Common Stock, filed as exhibit 4.1 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
4.2	Base Indenture, dated as of November 14, 2018, by and between Wingstop Funding LLC, as Issuer, and Citibank, N.A., as Trustee and Securities Intermediary, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 14, 2018 and incorporated herein by reference.
4.3	Series 2018-1 Supplement to Base Indenture, dated as of November 14, 2018, by and between Wingstop Funding LLC, as Issuer of the Series 2018-1 fixed rate senior secured notes, Class A-2, and Series 2018-1 variable funding senior notes, Class A-1, and Citibank, N.A., as Trustee and Series 2018-1 Securities Intermediary, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 14, 2018 and incorporated herein by reference.
4.4*	Description of Wingstop Inc. Common Stock.
10.1	Purchase Agreement, dated as of November 6, 2018, by and among the Company, certain indirect subsidiaries of the Company party thereto and Barclays Capital Inc., filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 7, 2018 and incorporated herein by reference.
10.2	Class A-1 Note Purchase Agreement, dated as of November 14, 2018, by and among Wingstop Funding LLC, as Issuer, each of Wingstop Guarantor LLC and Wingstop Franchising LLC, as Guarantor, Wingstop Restaurants Inc., as Manager, the conduit investors party thereto, the financial institutions party thereto, certain funding agents, Barclays Bank PLC, Swingline Lender and Administrative Agent, and Barclays Bank PLC, New York Branch, as L/C Provider, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 14, 2018 and incorporated herein by reference.
10.3	Guarantee and Collateral Agreement, dated as of November 14, 2018, by and among Wingstop Guarantor LLC and Wingstop Franchising LLC, each as a Guarantor, in favor of Citibank, N.A., as Trustee, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 14, 2018 and incorporated herein by reference.
10.4	Management Agreement, dated as of November 14, 2018, by and among Wingstop Funding LLC, Wingstop Franchising LLC, Wingstop Guarantor LLC, Wingstop Restaurants Inc., as Manager, and Citibank, N.A., as Trustee, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-37425) on November 14, 2018 and incorporated herein by reference.
10.5†	Wing Stop Holding Corporation 2010 Stock Option Plan, filed as exhibit 10.2 to the Company's Registration Statement on Form S-8 (Registration No. 333-00966) on June 22, 2015 and incorporated herein by reference.
10.6†	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 1), filed as exhibit 10.8 to the Company's Registration Statement 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 2), filed as exhibit 10.9 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.8†	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 3), filed as exhibit 10.10 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.9†	Form of Option Award Agreement for Wing Stop Holding Corporation 2010 Stock Option Plan (Form 4), filed as exhibit 10.11 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.10†	Wingstop Inc. 2015 Omnibus Incentive Compensation Plan, filed as exhibit 10.18 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.11†	Amendment One to Wingstop Inc. 2015 Omnibus Incentive Compensation Plan, filed as exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 27, 2015 (File No. 001-37425) and incorporated herein by reference.
10.12†	Amendment Two to the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan, effective as of August 3, 2017, filed as exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (File No. 001-37425) and incorporated herein by reference.
10.13*†	Amended and Restated Form of Performance-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan.
10.14*†	Amended and Restated Form of Service-based Restricted Stock Unit Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan.
10.15*†	Amended and Restated Form of Restricted Stock Award Agreement under the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan.
10.16†	Wingstop Inc. Amended and Restated Executive Severance Plan, effective as of February 26, 2019, filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K (File No. 001-37425) for the fiscal year ended December 29, 2018 and incorporated herein by reference.
10.17†	Form of Wingstop Inc. Executive Severance Plan Participation Agreement, filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K (File No. 001-37425) for the fiscal year ended December 29, 2018 and incorporated herein by reference.
10.18*†	Amended and Restated Employment Agreement, dated November 13, 2019, by and between Wingstop Restaurants Inc. and Charles Morrison.
10.19*†	Letter Agreement between Wingstop Inc. and Larry Kruguer, dated January 14, 2020.
10.20†	Form of Change in Control Bonus Award Agreement filed as exhibit 10.15 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.21†	Form of Indemnification Agreement, filed as exhibit 10.16 to the Company's Registration Statement on Form S-1/A (Registration No. 333-203891) on June 2, 2015 and incorporated herein by reference.
10.22†	Wingstop Inc. Employee Stock Purchase Plan, filed as exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-37425) for the quarterly period ended March 30, 2019 and incorporated by reference herein.
21.1*	List of subsidiaries of Wingstop Inc.
23.1*	Consent of KPMG LLP, independent registered public accounting firm.
23.2*	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1*	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer, 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*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

104*	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

* Filed herewith.
† Indicates management agreement.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of 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 19, 2020
Charles R. Morrison	Chairman and Chief Executive Officer (Principal Executive Officer)	
/s/ Michael J. Skipworth		February 19, 2020
Michael J. Skipworth	Chief Financial Officer (Principal Financial and Accounting Officer)	
/s/ Lynn Crump-Caine		February 19, 2020
Lynn Crump-Caine	Lead Independent Director	
/s/ Krishnan Anand		February 19, 2020
Krishnan Anand	Director	
/s/ David L. Goebel		February 19, 2020
David L. Goebel	Director	
/s/ Michael J. Hislop		February 19, 2020
Michael J. Hislop	Director	
/s/ Kate S. Lavelle		February 19, 2020
Kate S. Lavelle	Director	
/s/ Kilandigalu M. Madati		February 19, 2020
Kilandigalu M. Madati	Director	
/s/ Wesley S. McDonald		February 19, 2020
Wesley S. McDonald	Director	

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Wingstop Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Wingstop Inc. and subsidiaries (the Company) as of December 28, 2019, the related consolidated statements of operations, stockholders' deficit, and cash flows for the year ended December 28, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 28, 2019, and the results of its operations and its cash flows for the year ended December 28, 2019, 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 28, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 19, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of December 30, 2018, due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the sufficiency of audit evidence over royalty revenue and advertising fees

As discussed in Notes 1 and 16 to the consolidated financial statements, the Company recognized $75.1 million of royalty revenue and $55.9 million of advertising fees and related income for the year ended December 28, 2019. Royalty revenue and advertising fees are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement.

We identified the evaluation of the sufficiency of audit evidence obtained over royalty revenue and advertising fees as a critical audit matter. This evaluation required especially challenging auditor judgment because such revenue streams are dependent upon the franchise restaurant sales reported by the franchised restaurants through the franchisees' point-of-sale systems.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's revenue process, including controls over (1) the royalty and advertising fund contribution rates, (2) the reconciliation of royalty revenue and advertising fees recognized with the amount of cash received from franchisees for royalty and advertising fees. We involved IT professionals with specialized skills and knowledge who assisted in testing the information systems used in the revenue process. We compared revenue recognized to cash received for the year for royalty revenue and advertising fees. We sent third-party confirmations to a sample of franchisees regarding the amount of royalties and advertising fees that they owed to the Company. In addition, we evaluated the overall sufficiency of the audit evidence obtained over royalty revenue and advertising fees.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Dallas, Texas
February 19, 2020

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 sheet of Wingstop Inc. and Subsidiaries (the Company) as of December 29, 2018, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two fiscal years in the period ended December 29, 2018, and the related notes (collectively referred to as the "consolidated financial statements") (not presented separately herein). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2018, and the results of its operations and its cash flows for each of the two fiscal years in the period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles.

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 served as the Company's auditor from 2014 to 2019.

Dallas, Texas
February 27, 2019

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

	December 28, 2019	December 29, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 12,849	$ 12,493
Restricted cash	4,790	4,462
Accounts receivable, net	5,175	5,764
Prepaid expenses and other current assets	2,449	2,056
Advertising fund assets, restricted	4,927	5,131
Total current assets	30,190	29,906
Property and equipment, net	27,842	8,338
Goodwill	50,188	49,655
Trademarks	32,700	32,700
Customer relationships, net	12,910	14,233
Other non-current assets	12,283	4,917
Total assets	**$ 166,113**	**$ 139,749**
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 3,348	$ 2,750
Other current liabilities	21,454	16,201
Current portion of debt	3,200	2,400
Advertising fund liabilities	4,927	5,131
Total current liabilities	32,929	26,482
Long-term debt, net	307,669	309,374
Deferred revenues, net of current	22,343	21,885
Deferred income tax liabilities, net	4,485	4,866
Other non-current liabilities	8,115	1,972
Total liabilities	375,541	364,579
Commitments and contingencies (see Note 12)		
Stockholders' deficit		
Common stock, $0.01 par value; 100,000,000 shares authorized; 29,457,228 and 29,296,939 shares issued and outstanding as of December 28, 2019 and December 29, 2018, respectively	295	293
Additional paid-in-capital	552	1,036
Accumulated deficit	(210,275)	(226,159)
Total stockholders' deficit	(209,428)	(224,830)
Total liabilities and stockholders' deficit	**$ 166,113**	**$ 139,749**

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 28, 2019	December 29, 2018	December 30, 2017
Revenue:			
Royalty revenue, franchise fees and other	$ 88,291	$ 71,858	$ 66,076
Advertising fees and related income	55,932	34,484	30,174
Company-owned restaurant sales	55,453	46,839	37,069
Total revenue	199,676	153,181	133,319
Costs and expenses:			
Cost of sales (1)	41,105	32,063	28,745
Advertising expenses	52,891	33,699	32,427
Selling, general and administrative	57,295	44,579	34,898
Depreciation and amortization	5,484	4,313	3,376
Total costs and expenses	156,775	114,654	99,446
Operating income	42,901	38,527	33,873
Interest expense, net	17,136	10,123	5,131
Other expense, net	—	1,477	—
Income before income tax expense	25,765	26,927	28,742
Income tax expense	5,289	5,208	4,802
Net income	$ 20,476	$ 21,719	$ 23,940
Earnings per share			
Basic	$ 0.70	$ 0.74	$ 0.82
Diluted	$ 0.69	$ 0.73	$ 0.82
Weighted average shares outstanding			
Basic	29,415	29,231	29,025
Diluted	29,670	29,587	29,424
Dividends per share	$ 0.40	$ 6.54	$ 0.14

(1) Cost of sales includes all operating expenses of company-owned restaurants, including advertising expenses, and excludes depreciation and amortization, which are presented 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 31, 2016	28,747,392	$ 287	$ 1,194	$ (82,911)	$ (81,430)
Net income	—	—	—	23,940	23,940
Shares issued under stock plans	345,277	4	1,314	—	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	(58,971)	(58,418)
Net income	—	—	—	21,719	21,719
Shares issued under stock plans	208,261	2	515	—	517
Tax payments for restricted stock upon vesting	(3,991)	—	—	(183)	(183)
Stock-based compensation expense	—	—	3,725	—	3,725
Dividends paid	—	—	(3,466)	(188,724)	(192,190)
Balance at December 29, 2018	29,296,939	293	1,036	(226,159)	(224,830)
Adjustment for ASC 842 adoption	—	—	—	154	154
Net income	—	—	—	20,476	20,476
Shares issued under stock plans	176,201	2	687	—	689
Tax payments for restricted stock upon vesting	(15,912)	—	—	(1,149)	(1,149)
Stock-based compensation expense	—	—	6,974	—	6,974
Dividends paid	—	—	(8,145)	(3,597)	(11,742)
Balance at December 28, 2019	29,457,228	$ 295	$ 552	$ (210,275)	$ (209,428)

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Operating activities			
Net income	$ 20,476	$ 21,719	$ 23,940
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	5,484	4,313	3,376
Deferred income taxes	(426)	(1,054)	(2,548)
Stock-based compensation expense	6,974	3,725	1,851
Amortization of debt issuance costs	1,586	1,983	292
Changes in operating assets and liabilities:			
Accounts receivable	496	(1,197)	(1,368)
Prepaid expenses and other assets	323	(178)	(503)
Advertising fund assets and liabilities, net	(449)	1,657	386
Accounts payable and other current liabilities	3,086	6,996	(876)
Deferred revenue	881	977	3,052
Other non-current liabilities	152	(171)	(167)
Cash provided by operating activities	38,583	38,770	27,435
Investing activities			
Purchases of property and equipment	(22,486)	(3,982)	(2,535)
Acquisition of restaurant from franchisee	(1,245)	(6,516)	(3,949)
Cash used in investing activities	(23,731)	(10,498)	(6,484)
Financing activities			
Proceeds from exercise of stock options	689	517	1,318
Borrowings of long-term debt	5,000	551,108	3,500
Repayments of long-term debt	(7,400)	(364,858)	(21,000)
Payment of deferred financing costs	(15)	(9,571)	—
Tax payments for restricted stock upon vesting	(1,149)	(183)	—
Dividends paid	(11,742)	(190,737)	(4,070)
Cash used in financing activities	(14,617)	(13,724)	(20,252)
Net change in cash, cash equivalents, and restricted cash	235	14,548	699
Cash, cash equivalents, and restricted cash at beginning of period	20,940	6,392	5,693
Cash, cash equivalents, and restricted cash at end of period	$ 21,175	$ 20,940	$ 6,392
Supplemental information:			
Cash paid for interest	$ 16,929	$ 7,601	$ 4,842
Cash paid for taxes	$ 5,407	$ 2,951	$ 10,096

See accompanying notes to consolidated financial statements.

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

Overview

Wingstop Inc., together with its consolidated subsidiaries (collectively, "Wingstop" or the "Company"), is in the business of franchising and operating Wingstop restaurants. As of December 28, 2019, 1,200 franchised restaurants were in operation domestically and 154 international franchised restaurants were in operation across nine countries. As of December 28, 2019, the Company owned and operated 31 restaurants.

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 2019, 2018, and 2017 each consisted of 52 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, Cash Equivalents, and Restricted Cash

The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits and investments. As of December 28, 2019 and December 29, 2018, we maintained balances in various cash accounts in excess of federally insured limits. All highly liquid instruments purchased with an original maturity of three months or less are considered cash equivalents.

Restricted cash includes cash and cash equivalents held for future principal and interest payments as required by the Company's debt agreements. The Company also has Advertising fund restricted cash, which can only be used for activities that promote the

Wingstop brand. Cash, cash equivalents, and restricted cash within the consolidated balance sheets that are included in the consolidated statements of cash flows as of December 28, 2019 and December 29, 2018 were as follows (in thousands):

	December 28, 2019	December 29, 2018
Cash and cash equivalents	$ 12,849	$ 12,493
Restricted cash	4,790	4,462
Restricted cash, included in Advertising fund assets, restricted	3,536	3,985
Total cash, cash equivalents, and restricted cash	$ 21,175	$ 20,940

(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
Building	40 years
Leasehold and other improvements	Lesser of the expected lease term or useful life
Equipment, furniture and fixtures	3 to 7 years
Computer software	3 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 Company did not record any impairment losses on long-lived assets in fiscal years 2019, 2018, or 2017.

(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 2019, 2018, or 2017.

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 primarily of royalties, national advertising fund contributions, initial and renewal franchise fees, and upfront fees from development agreements and international territory agreements. These performance obligations under franchise agreements consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the national advertising fund contributions, development of training materials and menu items, and restaurant monitoring. These performance obligations are highly interrelated, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use our intellectual property over the term of each franchise agreement. Franchise fee, development fee and international territory fee payments received by the Company 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. As gift cards are redeemed, the liability is 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, franchise fees and other within the Consolidated Statements of Operations. The incentives recognized were approximately \$10.6 million, \$8.2 million, and \$11.2 million, during fiscal years 2019, 2018, and 2017, respectively, of which \$1.6 million, \$1.2 million, and \$0.9 million was classified as a reduction in Cost of sales during fiscal years 2019, 2018, and 2017, respectively.

(m) Advertising Expenses

The Company administers the Ad Fund, for which a percentage of gross sales is collected from Wingstop restaurant franchisees and company-owned restaurants to be used for various forms of advertising for the Wingstop brand. Under this program, franchisees contributed 4% of gross sales for fiscal years 2019, and 3% for fiscal years 2018 and 2017.

The Company administers and directs the development of all advertising and promotion programs in the Ad Fund for which it collects advertising contributions in accordance with the provisions of its franchise agreements. The Company has a contractual obligation with regard to these advertising contributions. The Company consolidates and reports all assets and liabilities of the Ad Fund as restricted assets of the Ad Fund and liabilities of the Ad Fund within current assets and current liabilities, respectively, in the Consolidated Balance Sheets. The assets and liabilities of the Ad Fund consist primarily of cash, receivables, accrued expenses, other liabilities. Pursuant to the Company's franchise agreements, use of Ad Fund contributions is 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 that are directly associated with administering the Ad Fund, as outlined in the provisions of the applicable franchise agreements.

The Company expenses the production costs of advertising in the period in which the advertising first occurs. All other advertising and promotional costs are expensed in the period incurred. When contributions to the Ad Fund exceed the related advertising expenses, advertising costs are accrued up to the amount of the related contributions. Ad Fund contributions and expenditures are reported on a gross basis in the Consolidated Statements of Operations, which are largely offsetting and therefore do not impact our reported net income in years when contributions to the Ad Fund exceed advertising expenses incurred. Administrative support services and compensation expenses of employees that provide services directly to the Ad Fund, are included in Selling, general and administrative expenses ("SG&A") in the Consolidated Statements of Operations. Advertising expenses incurred by company-owned restaurants are included within Cost of sales in the Consolidated Statements of Operations. Company operated restaurants incurred advertising expenses of $2.9 million, $1.9 million, and $1.5 million in fiscal years 2019, 2018, and 2017, respectively.

(n) *Leases*

The Company determines whether an arrangement is a lease at inception and 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 leases with renewal periods at the Company's option, the Company determines the expected lease period based on whether the renewal of any options are reasonably certain at the inception of the lease. For purposes of measurement and amortization of the right-of-use asset and associated lease liability over the terms of the leases, the Company uses the date it takes possession of the leased space for construction purposes at the beginning of the lease term, which is generally two to three months prior to a restaurant's opening date. As most leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available on the commencement date in determining the present value of lease payments. The Company has lease agreements that contain both lease and non-lease components which are not separated. Certain leases require the Company to pay a portion of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent.

(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. The Company accounts for forfeitures as they occur.

(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 28, 2019, the franchise operations segment consisted of 1,354 restaurants operated by Wingstop franchisees in the United States and nine countries outside of the United States as compared to 1,223 franchised restaurants in operation as of December 29, 2018. Franchise operations revenue consists primarily of franchise royalty revenue, Ad Fund contributions, fees for the sale of franchise and development agreements, and international territory agreements. 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 28, 2019, the Company segment consisted of 31 company-owned restaurants, located in the United States, as compared to 29 company-owned restaurants as of December 29, 2018. Company-owned restaurant sales consist primarily of food and beverage sales at company-operated restaurants. Company-owned restaurant expenses consist primarily of 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 have historically consisted of transaction costs associated with debt refinancings and special dividends. The Company allocates selling, general and administrative expenses based on the relative support provided to each reportable segment.

(r) Recent Accounting Pronouncements

Recently adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, *Leases (Topic 842)*, as amended ("ASU 2016-02"). ASU 2016-02 amended 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. The new guidance also required additional disclosures about leases. The Company adopted the requirements of the new standard as of the first day of fiscal year 2019 using the modified retrospective approach without restating comparative periods. As part of our adoption, we elected the package of practical expedients, as well as the hindsight practical expedient, permitted under the new guidance, which, among other things, allowed the Company to continue utilizing historical classification of leases. In addition, we elected not to separate non-lease components for our real estate leases.

The adoption of the new standard resulted in the recording of a right-of-use asset of approximately $8.5 million and lease liabilities of approximately $10.3 million, and had an immaterial impact on retained earnings as of the beginning of fiscal year 2019. The standard did not materially impact our Consolidated Statements of Operations and had no impact on cash flows.

(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 convertible into, or other contracts to issue, common stock were exercised or converted into common stock. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of the exercise and vesting of stock options and restricted stock units, respectively, determined using the treasury stock method.

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

	Fiscal Year		
	December 28, 2019	December 29, 2018	December 30, 2017
Basic weighted average shares outstanding	29,415	29,231	29,025
Dilutive shares	255	356	399
Diluted weighted average shares outstanding	29,670	29,587	29,424

We had approximately 3,000, 3,000, and 6,000 equity awards outstanding at December 28, 2019, December 29, 2018, and December 30, 2017, respectively, that were excluded from the dilutive earnings per share calculation because the effect would have been anti-dilutive.

(3) Dividends

The Company declared and paid dividends of $11.7 million, or $0.40 per common share, in fiscal year 2019, $192.2 million, or $6.54 per common share in fiscal year 2018, and $4.1 million, or $0.14 per common share in fiscal year 2017.

Subsequent to the end of fiscal year 2019, on February 18, 2020, the Company's board of directors declared a quarterly dividend of $0.11 per share of common stock, to be paid on March 20, 2020 to stockholders of record as of March 6, 2020, totaling approximately $3.2 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 28, 2019		December 29, 2018	
	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Securitized Financing Facility:					
2018-1 Class A-2 Senior Secured Notes [(1)]	Level 2	$ 317,600	$ 331,247	$ 320,000	$ 320,000

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

(5) Accounts Receivable, net

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

	December 28, 2019	December 29, 2018
Vendor rebates receivable	$ 2,530	$ 2,224
Royalties receivable, net	1,870	1,521
Gift card receivable	477	1,484
Other receivables	298	535
Accounts receivable, net	$ 5,175	$ 5,764

(6) Property and Equipment

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

	December 28, 2019	December 29, 2018
Construction in progress	$ 16,188	$ 1,962
Equipment, furniture and fixtures	15,568	11,192
Leasehold and other improvements	9,021	7,929
Land	2,828	—
Property and equipment, gross	43,605	21,083
Less: accumulated depreciation	(15,763)	(12,745)
Property and equipment, net	$ 27,842	$ 8,338

Depreciation expense was $3.1 million, $2.1 million and $1.9 million for the fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively.

On June 19, 2019, the Company entered into an agreement to purchase an office building for a purchase price of $18.3 million, which closed in the third quarter of 2019 and was funded with cash on hand. The building will be used for the Company's headquarters and is in Addison, Texas.

The building is included in construction in process within Property and equipment, net on the Consolidated Balance Sheet and will begin depreciating when the build out of the headquarters is complete and the assets are ready for their intended use, which is estimated to be at the beginning of fiscal year 2021.

(7) Intangible Assets and Goodwill

The Company's goodwill and other intangible assets arose from Wingstop's acquisition of the equity interests of Wingstop Holdings, Inc. in April 2010, as well as the acquisition of restaurants from franchisees in 2018 and 2019. 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 17 for the allocation of goodwill among the two reporting units.

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

	December 28, 2019	December 29, 2018
Balance, beginning of period	$ 49,655	$ 46,557
Acquisition of restaurants	533	3,098
Balance, end of period	$ 50,188	$ 49,655

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

	December 28, 2019	December 29, 2018	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)	5,638	5,028	6.4
Proprietary software (1)	115	115	5.0
Noncompete agreements (1)	250	250	2.8
Less: accumulated amortization	(15,855)	(13,453)	
Definite-lived assets	16,448	18,240	17.4
Intangible assets, net	$ 49,148	$ 50,940	

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

Amortization expense for definite-lived intangibles was $2.4 million, $2.2 million, and $1.5 million for fiscal years 2019, 2018, and 2017, respectively. Estimated amortization expense, principally related to customer relationships, for the five succeeding years and the aggregate thereafter is (in thousands):

Fiscal year 2020	$ 2,186
Fiscal year 2021	2,026
Fiscal year 2022	1,870
Fiscal year 2023	1,760
Fiscal year 2024	1,594
Thereafter	7,012
Total	$ 16,448

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

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

	December 28, 2019	December 29, 2018
Prepaid expenses	$ 1,347	$ 1,468
Federal income tax receivable	667	—
Prepaid gift card expenses	120	289
Inventories	315	299
Total	$ 2,449	$ 2,056

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

	December 28, 2019	December 29, 2018
Accrued payroll and bonuses	$ 7,512	$ 5,183
Current portion of deferred revenues	2,622	2,343
Short term lease liability	1,806	—
Gift card liability	1,758	2,782
Taxes payable	522	398
Other accrued liabilities	7,234	5,495
Total	$ 21,454	$ 16,201

(9) Income Taxes

Income tax expense for the fiscal years 2019, 2018 and 2017 consists of the following (in thousands):

	Fiscal Year		
	December 28, 2019	December 29, 2018	December 30, 2017
Current expense			
Federal	$ 4,286	$ 4,932	$ 6,204
State	1,170	1,089	800
Foreign	259	241	346
Deferred expense (benefit)			
Federal	(579)	(946)	(2,660)
State	153	(108)	112
Income tax expense	$ 5,289	$ 5,208	$ 4,802

A reconciliation of income tax at the U.S. federal statutory tax rate (using a statutory tax rate of 21%) to income tax expense for fiscal years 2019, 2018 and 2017 in dollars is as follows (in thousands):

	Fiscal Year		
	December 28, 2019	December 29, 2018	December 30, 2017
Expected income tax expense at statutory rate	$ 5,411	$ 5,655	$ 10,060
Tax Act impact on deferred taxes	—	—	(3,647)
Permanent differences	(835)	(1,462)	(2,300)
State tax expense, net of federal benefit	985	520	589
Foreign tax expense	259	241	347
Foreign tax credits	(259)	(241)	(347)
(Decrease) increase in unrecognized tax benefit	(128)	322	114
Other	(144)	173	(14)
Income tax expense	$ 5,289	$ 5,208	$ 4,802

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

	December 28, 2019	December 29, 2018
Deferred tax assets:		
Deferred revenue	$ 4,510	$ 4,470
Accrued bonus	262	276
Stock based compensation	776	735
Deferred rent	394	257
Intangible assets	99	118
Other	1,467	405
Net operating loss carryforwards and credits	869	571
Valuation allowance	(577)	(482)
	7,800	6,350
Deferred tax liabilities:		
Intangible assets	(10,820)	(10,933)
Property and equipment	(1,465)	(283)
	(12,285)	(11,216)
Net deferred tax liability	$ (4,485)	$ (4,866)

The Company had a state net operating loss carry-forward of $23.3 million at December 28, 2019 and December 29, 2018. The state net operating loss carry forwards begin to expire in 2030.

The Company had a valuation allowance of $577,000 and $482,000 against its deferred tax assets as of December 28, 2019 and December 29, 2018, respectively. 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 $538,000, respectively.

The Company files income tax returns, which are periodically audited by various federal and state jurisdictions. In fiscal year 2019 the Internal Revenue Service commenced an examination of the Company’s U.S. income tax return for fiscal years 2016 and 2017.

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

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
Additions for tax positions of prior years		78
Subtractions for tax positions of prior years		—
Additions for tax positions of current year		155
Subtractions for tax positions of current year		—
Balance as of December 29, 2018		913
Additions for tax positions of prior years		187
Subtractions for tax positions of prior years		(330)
Additions for tax positions of current year		929
Subtractions for tax positions of current year		—
Balance as of December 28, 2019	$	1,699

As of December 28, 2019 and December 29, 2018, the accrued interest and penalties on the unrecognized tax benefits were $316,000 and $258,000, 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.

At December 28, 2019 and December 29, 2018, the amount of unrecognized tax benefits was $1,699,000 and $913,000 of which, if ultimately recognized, would reduce the Company's effective tax rate.

(10) Debt Obligations

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

	December 28, 2019		December 29, 2018	
2018-1 Class A-2 Senior Secured Notes	$	317,600	$	320,000
Debt issuance costs, net of amortization		(6,731)		(8,226)
Less: current portion of debt		(3,200)		(2,400)
Long-term debt, net	$	307,669	$	309,374

As of December 28, 2019, the scheduled principle payments on debt were as follows (in thousands):

Fiscal year 2020	$	3,200
Fiscal year 2021		3,200
Fiscal year 2022		3,200
Fiscal year 2023		308,000
Total	$	317,600

Securitized Financing Facility

On November 14, 2018, the Company completed a recapitalization in which certain of the Company's subsidiaries issued notes pursuant to an asset-backed securitization. The notes consisted of $320 million of Series 2018-1 4.970% Fixed Rate Senior Secured Notes, Class A-2 with an anticipated term of five years (the "Class A-2 Notes"). In connection with the issuance of the Class A-2 Notes, the Company also entered into a revolving financing facility of Series 2018-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes"), which permits borrowings of up to a maximum principal amount of $20 million, which may be used to issue letters of credit. A portion of the proceeds of the Class A-2 Notes was used to repay the $215 million of principal outstanding on the outstanding term loan and revolving credit facility and to pay related transaction fees. The additional net proceeds were used for general corporate purposes, which included a return of capital to the Company's stockholders in 2018. No borrowings were outstanding under the Variable Funding Notes as of December 28, 2019 or December 29, 2018.

The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the "Notes" and were issued in a securitization transaction pursuant to which certain of the Company's domestic and foreign revenue-generating assets, consisting principally of franchise-related agreements and intellectual property, were contributed or otherwise transferred to the Issuer and certain other limited-purpose, bankruptcy-remote, wholly owned indirect subsidiaries of the Company that act as guarantors of the Notes and that have pledged substantially all of their assets.

Interest and principal payments on the Class A-2 Notes are payable on a quarterly basis. The requirement to make such quarterly principal payments on the Class A-2 Notes is subject to certain financial conditions set forth in the indenture. The legal final maturity date of the Notes is in December of 2048, but, unless earlier prepaid to the extent permitted under the indenture, the anticipated repayment date of the Class A-2 Notes is December 2023. If the Issuer has not repaid or refinanced the Class A-2 Notes prior to the anticipated repayment date, additional interest will accrue on the Notes.

The Variable Funding Notes accrue interest at a variable rate based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the London interbank offered rate for U.S. Dollars or (iv) with respect to advances made by conduit investors, the weighted average cost of, or related to, the issuance of commercial paper allocated to fund or maintain such advances, in each case plus any applicable margin, as more fully set forth in the Variable Funding Note Purchase Agreement. There is a commitment fee on the unused portion of the Variable Funding Notes facility, which is 50 basis points based on the utilization under the Variable Funding Notes facility. As of December 28, 2019 and December 29, 2018, $4.0 million and $5.0 million, respectively, of letters of credit were outstanding against the Variable Funding Notes, which relate primarily to interest reserves required under the indenture. There were no amounts drawn down on the letters of credit as of December 28, 2019 or December 29, 2018.

Total debt issuance costs incurred and capitalized in connection with the issuance of the Notes were $8.8 million. Previously capitalized financing costs of $1.5 million were expensed as a result of the refinancing in fiscal year 2018.

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Issuer maintains specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, that the assets pledged as collateral for the Notes are in stated ways defective or ineffective, and (iv) covenants relating to recordkeeping, access to information, and similar matters. The Notes are also subject to customary rapid amortization events provided for in the indenture, including events tied to failure to maintain stated debt service coverage ratios, the sum of global gross sales for specified restaurants being below certain levels on certain measurement dates, certain change of control and manager termination events, an event of default, and the failure to repay or refinance the Class A-2 Notes on the applicable scheduled maturity date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments. As of December 28, 2019, the Company was in compliance with all financial covenants.

Senior credit facility

In January 2018, the Company entered into an amended senior secured credit facility (the "2018 Facility"), which replaced its senior secured credit facility dated June 30, 2016 (the "2016 Facility"). The 2018 Facility included a term loan facility in an aggregate principal amount of $100 million and a revolving credit facility up to an aggregate principal amount of $150 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 special dividend of $93.1 million to its stockholders. Borrowings under the 2018 Facility bore interest, payable quarterly, at the Company's 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 had a maturity date of January 2023.

In conjunction with the 2018 Facility, the Company evaluated the refinancing of the 2016 Facility and determined $202.5 million should be accounted for as a debt modification and $47.5 million should be new debt issuance. The Company incurred $1.0 million in financing costs of which $0.2 million was expensed and $0.8 million was capitalized.

(11) Leases

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for office and retail space, as well as equipment. Our leases have remaining terms of 0.8 years to 10.0 years, some of which include options to extend the lease term for up to ten years. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available on the commencement date in determining the present value of lease payments. We have lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components (e.g., common-area maintenance).

Components of lease expense are as follows (in thousands):

	Year Ended December 28, 2019
Operating lease cost [a]	$ 2,113
Variable lease cost [b]	507
Total lease cost	$ 2,620

[a] Includes short-term leases, which are immaterial.
[b] Primarily related to adjustments for inflation, common area maintenance, and property tax.

Supplemental cash flow information related to leases is as follows (dollar amounts in thousands):

	Year Ended December 28, 2019
Operating cash flow information:	
Cash paid for amounts included in the measurement of lease liabilities	$ 2,263
Non-cash activity:	
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,352

Supplemental balance sheet information related to our operating leases is as follows:

	Balance Sheet Classification	December 28, 2019
Right-of-use assets	Other non-current assets	$ 8,242
Current lease liabilities	Other current liabilities	1,806
Non-current lease liabilities	Other non-current liabilities	7,975

Weighted average lease term and discount rate information related to leases is as follows:

	Year Ended December 28, 2019
Weighted average remaining lease term of operating leases	5.4 years
Weighted average discount rate of operating leases	4.77 %

Maturities of lease liabilities by fiscal year are as follows (in thousands):

Fiscal year 2020	$	2,219
Fiscal year 2021		2,218
Fiscal year 2022		2,012
Fiscal year 2023		1,736
Fiscal year 2024		1,404
Thereafter		1,492
Total future minimum lease payments		11,081
Less: imputed interest		(1,300)
Total lease liabilities	$	9,781

As of December 29, 2018, minimum lease payments under non-cancelable operating leases by period were expected to be as follows (in thousands):

Fiscal year 2019	$	2,181
Fiscal year 2020		2,214
Fiscal year 2021		2,005
Fiscal year 2022		1,800
Fiscal year 2023		1,523
Thereafter		2,145
Total	$	11,868

(12) Commitments and Contingencies

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.

(13) 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 $594,000, $556,000 and $450,000 for fiscal years 2019, 2018 and 2017, respectively.

(14) Stock-Based Compensation

The Wingstop Inc. 2015 Omnibus Equity Incentive Plan (the "2015 Plan"), was adopted in June 2015 and is currently the only plan under which the Company currently grants awards. 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. As of December 28, 2019, there were approximately 1.7 million shares available for future grants under the 2015 Plan. Prior to the 2015 Plan, the Company granted awards under the 2010 Stock Option Plan.

The options and restricted stock awards granted under the 2015 Plan are subject to either service-based or performance-based vesting. Service-based awards 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 or sales targets for the vesting period. In the event of a change in control of the Company (as defined in the 2015 Plan), unless otherwise determined by the board of directors or the Compensation Committee of the board of directors, each outstanding award will become fully vested immediately prior to the change in control and shall be exchanged for cash.

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 $7.0 million, $3.7 million, and $1.9 million in stock compensation expense for fiscal years 2019, 2018, and 2017, 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.

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 29, 2018	236	$ 6.04	$ 13,848	4.8
Options granted	—	—		
Options exercised	(98)	5.06		
Options canceled	(4)	26.21		
Outstanding - December 28, 2019	134	$ 5.72	$ 10,801	3.8

The total grant-date fair value of stock options vested during each of the fiscal years 2019, 2018, and 2017 was $0.5 million, $0.5 million, and $1.0 million, respectively. The total intrinsic value of stock options exercised was $6.7 million, $7.6 million, and $8.1 million for fiscal years 2019, 2018, and 2017, respectively. During fiscal year 2019, there was a modification to certain awards resulting in additional compensation of $0.2 million.

A summary of the status of non-vested options as of December 28, 2019 and the changes during the period then ended is presented below (in thousands, except per share data):

	Stock Options	Weighted average grant-date fair value
Non-vested options - December 29, 2018	59	$ 12.82
Granted	—	—
Vested	(38)	13.98
Forfeited	(4)	29.33
Non-vested options - December 28, 2019	17	$ 10.20

As of December 28, 2019, there was $35.9 thousand of total unrecognized stock compensation expense related to non-vested stock options, which will be recognized over a weighted average period of less than one year.

Restricted Stock Units and Performance Stock Units

The following table summarizes activity related to restricted stock units and performance stock units ("PSUs") (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 29, 2018	103	$ 36.18	130	$ 40.46
Units granted	47	68.40	86	71.22
Units vested	(46)	39.79	(26)	44.15
Units canceled	(22)	47.70	(21)	50.48
Outstanding - December 28, 2019	82	$ 52.73	169	$ 55.92

The fair value of restricted stock units and PSUs is based on the closing price on the date of grant. The restricted stock units granted during fiscal year 2019 vest over a three year service period. As of December 28, 2019, total unrecognized compensation expense related to unvested restricted stock units was $2.8 million which is expected to be recognized over a weighted-average period of 1.5 years. During fiscal year 2019, there was a modification to certain awards resulting in additional compensation expense of $0.7 million over the remaining term of the awards.

The Company granted 86,333 PSUs during fiscal year 2019 that are based on the outcome of certain performance criteria. Of the total PSUs granted, 46,333 are subject to a service condition and a performance vesting condition based on the achievement of certain Adjusted EBITDA targets, as defined by the 2015 Plan, over a performance period of one to three years. The remaining 40,000 PSUs are subject to a service condition and a performance vesting condition based on certain operational metrics. The amount of all PSU units granted in 2019 that can be earned ranges from 0% to 100%. The compensation expense related to these PSUs is recognized over the vesting period when the achievement of the performance conditions becomes probable. The total compensation cost for the PSUs is determined based on the most likely outcome of the performance condition and the number of awards expected to vest. The Company granted 15,290 PSUs during fiscal year 2018 that are subject to a service condition and a performance vesting condition based on the level of new sales growth achieved over the performance period. The maximum vesting percentage that could be realized for each of these PSUs is 500%, based on the level of performance achieved for the respective awards, as well as a market vesting condition linked to the level of total stockholder return received by the Company's stockholders during the performance period measured against the companies in the S&P 600 Restaurant Index ("TSR PSUs"). The TSR PSUs were valued based on a Monte Carlo simulation model to reflect the impact of the total stockholder return market condition, resulting in a grant-date fair value range of $0.00 to $179.27 per unit based on the outcome of the performance condition. The probability of satisfying a market condition is considered in the estimation of the grant-date fair value for TSR PSUs and the compensation cost is not reversed if the market condition is not achieved, provided the requisite service has been provided. As of December 28, 2019, total unrecognized compensation expense related to unvested PSUs was $5.6 million.

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 29, 2018	16	$ 36.02
Awards granted	4	88.12
Awards vested	(8)	33.17
Awards canceled	—	—
Outstanding - December 28, 2019	12	$ 54.81

The fair value of the non-vested restricted stock awards is based on the closing price on the date of grant. As of December 28, 2019, total unrecognized compensation expense related to unvested restricted stock awards was $0.5 million, which will be recognized over a weighted average period of approximately 1.4 years.

(15) Restaurant Acquisition

On August 22, 2019, the Company acquired one existing restaurant from a franchisee. The total purchase price was $1.2 million, which was funded by cash flows from operations.

The following table summarizes the final allocation of the purchase price to the estimated fair value of assets acquired and liabilities assumed at the date of the acquisition (in thousands):

	Purchase Price Allocation
	August 22, 2019 Acquisition
Property and equipment	$ 90
Reacquired franchise rights	610
Goodwill	533
Total purchase price	$ 1,233

On February 19, 2018, April 16, 2018, and May 1, 2018, the Company acquired one existing Wingstop restaurant each from three separate franchisees. The total purchase prices were $1.9 million, $1.9 million, and $2.2 million, respectively, which were funded by cash flows from operations.

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):

	Purchase Price Allocation		
	February 19, 2018 Acquisition	April 16, 2018 Acquisition	May 1, 2018 Acquisition
Working capital	$ 4	$ 20	$ 7
Property and equipment	26	160	28
Reacquired franchise rights	541	1,277	887
Goodwill	1,331	458	1,309
Gift card liability	(2)	—	—
Total purchase price	$ 1,900	$ 1,915	$ 2,231

During the fourth quarter of 2018, the Company acquired three existing Wingstop restaurants from a franchisee for a total purchase price of $0.5 million. The purchase price was allocated to property and equipment.

The results of operations of these locations are included in our Consolidated Statements of Operations since the date of acquisition. The acquisitions were accounted for as business combinations.

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. All of the goodwill from the acquisitions 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.

(16)

Revenue from Contracts with Customers

Revenue from contracts with customers consist primarily of royalties, Ad Fund contributions, initial and renewal franchise fees and upfront fees from development agreements and international territory agreements. Our performance obligations under franchise agreements consist of (a) a franchise license, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the Ad Fund, development of training materials and menu items and restaurant monitoring. These performance obligations are highly interrelated so are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use intellectual property over the term of each franchise agreement.

Royalties, including franchisee contributions to the Ad Fund, are calculated as a percentage of franchise restaurant sales over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee prior to the restaurant opening or at the time of a renewal of an existing franchise agreement. Our franchise agreement royalties, inclusive of Ad Fund contributions, represent sales-based royalties that are related entirely to our performance obligation under the franchise agreement and are recognized as franchised restaurant sales occur. Additionally, under ASC 606, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Our performance obligation under development agreements and international territory agreements generally consists of an obligation to grant exclusive development rights over a stated term. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for development rights are apportioned to each franchised restaurant opened and accounted for as an initial franchise fee.

The following table represents a disaggregation of revenue from contracts with customers for the fiscal years 2019, 2018, and 2017 (in thousands):

	Fiscal Year		
	December 28, 2019	**December 29, 2018**	**December 30, 2017**
Royalty revenue	$ 75,106	$ 61,882	$ 53,204
Advertising fees and related income	55,932	34,484	30,174
Franchise fees	4,087	2,924	2,535

Franchise fee, development fee, and international territory fee payments received by the Company are recorded as deferred revenue on the Consolidated Balance Sheet, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective restaurant. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the current fiscal year was included in the deferred revenue balance as of December 29, 2018. Approximately $8.3 million and $9.2 million of deferred revenue as of December 28, 2019 and December 29, 2018, respectively, relates to restaurants that have not yet opened, so the fees are not yet being amortized. The weighted average remaining amortization period for deferred franchise and renewal fees related to open restaurants is 7.3 years. The Company did not have any material contract assets as of December 28, 2019.

(17) Business Segments

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

	Fiscal Year		
	December 28, 2019	December 29, 2018	December 30, 2017
Revenue:			
Franchise segment	$ 144,223	$ 106,342	$ 96,250
Company segment	55,453	46,839	37,069
Total segment revenue	$ 199,676	$ 153,181	$ 133,319
Segment Profit:			
Franchise segment	$ 33,683	$ 30,645	$ 29,230
Company segment	9,218	10,303	4,643
Total segment profit	42,901	40,948	33,873
Corporate and other (1)	—	2,421	—
Interest expense, net	17,136	10,123	5,131
Other expense, net	—	1,477	—
Income before taxes	$ 25,765	$ 26,927	$ 28,742

Depreciation and amortization:			
Franchise segment	$ 3,870	$ 3,036	$ 2,220
Company segment	1,614	1,277	1,156
Total depreciation and amortization	$ 5,484	$ 4,313	$ 3,376

Capital expenditures:			
Franchise segment	$ 21,119	$ 2,930	$ 864
Company segment (2)	1,367	1,052	1,671
Total capital expenditures	$ 22,486	$ 3,982	$ 2,535

(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 payment of a special dividend.
(2) Company segment excludes capital expenditures related to the acquisition of restaurants from franchisees (discussed in Note 15).

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

	As of	
	December 28, 2019	December 29, 2018
Segment assets:		
Franchise segment	$ 117,690	$ 97,455
Company segment	25,564	19,841
Total segment assets	143,254	117,296
Corporate and other (3)	22,859	22,453
Total assets	$ 166,113	$ 139,749

(3) Corporate and other includes corporate related items not allocated to reportable segments and consists primarily of cash and cash equivalents, Ad Fund restricted assets, right-of-use assets associated with our operating leases, and capitalized costs associated with the issuance of indebtedness.

	As of	
	December 28, 2019	December 29, 2018
Segment goodwill:		
Franchise segment	$ 39,930	$ 39,930
Company segment	10,258	9,725
Total goodwill	$ 50,188	$ 49,655

(18)

Quarterly Financial Data (unaudited)

The following tables set forth certain unaudited consolidated financial information for each of the four quarters in 2019 and 2018 (in thousands, except per share data):

	Quarter Ended							
	December 28, 2019	September 28, 2019	June 29, 2019	March 30, 2019	December 29, 2018	September 29, 2018	June 30, 2018	March 31, 2018
Total revenue	$ 53,186	$ 49,875	$ 48,562	$ 48,053	$ 40,509	$ 38,246	$ 37,037	$ 37,389
Operating income	8,894	11,949	10,287	11,771	8,679	10,356	9,926	9,566
Net income	3,047	5,905	4,918	6,606	2,419	6,293	6,839	6,168
Earnings per share								
Basic	$ 0.10	$ 0.20	$ 0.17	$ 0.23	$ 0.08	$ 0.21	$ 0.23	$ 0.21
Diluted	$ 0.10	$ 0.20	$ 0.17	$ 0.22	$ 0.08	$ 0.21	$ 0.23	$ 0.21
Weighted average shares outstanding								
Basic	29,454	29,449	29,418	29,337	29,296	29,284	29,230	29,116
Diluted	29,709	29,696	29,667	29,637	29,620	29,584	29,528	29,503

DESCRIPTION OF WINGSTOP INC. COMMON STOCK

The following description of the capital stock of Wingstop Inc. (the "Company," "we," "our," or "us") is a summary of the rights of our common stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws as currently in effect. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, copies of which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our amended and restated certificate of incorporation, our amended and restated bylaws, and the applicable provisions of the Delaware General Corporation Law, as amended (the "DGCL"), for additional information.

As described in further detail below, certain provisions of our amended and restated certificate of incorporation apply only if RC II WS LLC ("RC II WS") or any of its affiliates own a certain percentage of our outstanding common stock. As of the date of this Annual Report on Form 10-K, neither RC II WS nor any of its affiliates own any shares of our common stock, and therefore, such provisions do not currently apply. However, such provisions may apply to the extent that RC II WS or its affiliates acquire shares of our common stock in the future.

Common Stock

General. Our amended and restated certificate of incorporation authorizes the issuance of 100,000,000 shares of our common stock, par value $0.01 per share. All of our outstanding shares of our common stock are fully paid and nonassessable.

Voting rights. Except as required by law or matters relating solely to the terms of preferred stock, the holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Unless otherwise required by law, matters submitted to a vote of our stockholders require the affirmative vote of the holders of a majority in voting power of the shares of our common stock that are present in person or by proxy and who are entitled to vote on such matter, except that directors are elected by a plurality of votes cast. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors are able to elect all of the directors standing for election, if they so choose.

Dividend rights. Holders of common stock are entitled to receive ratably dividends if, as and when dividends are declared from time to time by our board of directors out of funds legally available for that purpose, subject to any preferential dividend rights of any then outstanding preferred stock. Our ability to pay dividends is subject to compliance with certain covenants in our outstanding debt instruments.

Other matters. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to any other distribution rights granted to holders of any outstanding preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights, and no redemption or sinking fund provisions are applicable to our common stock.

Preferred Stock

Our amended and restated certificate of incorporation permits our board of directors, without further action of stockholders, to issue up to 15,000,000 shares of preferred stock from time to time in one or more classes or series. Our board of directors also may fix the relative rights and preferences of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences and the number of shares constituting any class or series or the designation of the class or series. Terms selected by our board of directors in the future could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rights and powers, including voting rights, of the holders of common stock without any further vote or action by the stockholders. As a result, the rights of holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued by us in the future, which could have the effect of decreasing the market price of our common stock. Currently, there are no shares of preferred stock outstanding.

Anti-takeover Effects of Provisions of our Certificate of Incorporation and Bylaws and Delaware Law

The provisions of the DGCL and our amended and restated certificate of incorporation and amended and restated bylaws could have the effect of discouraging others from attempting an unsolicited offer to acquire the Company. Such provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Election and removal of directors. Our board of directors is divided into three classes, Class I, Class II and Class III, with members of each class serving staggered three-year terms. Our directors may be removed only by the affirmative vote of at least 66 2⁄3% of our then outstanding common stock and only for cause. However, if at any time RC II WS or any of its affiliates collectively own 50% of our outstanding voting stock, directors may be removed with or without cause upon the affirmative vote of RC II WS and its affiliates that beneficially own outstanding shares of voting stock. This system of electing and removing directors generally makes it more difficult for stockholders to replace a majority of our directors.

Authorized but unissued shares. The authorized but unissued shares of our common stock and our preferred stock are available for future issuance without any further vote or action by our stockholders. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. The existence of authorized but unissued shares of our common stock and our preferred stock could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Stockholder action; advance notification of stockholder nominations and proposals. Our amended and restated certificate of incorporation and amended and restated bylaws require that any action required or permitted to be taken by our stockholders be affected only at a duly called annual or special meeting of stockholders and not by written consent. However, if at any time RC II WS and its affiliates collectively own at least 50% of our outstanding shares of common stock, any action required or permitted to be taken by the stockholders may be affected by written consent. Our amended and restated certificate of incorporation also requires that special meetings of stockholders be called only by a majority of our board of directors or by the chairman of the board of directors. In addition, our amended and restated bylaws provide that, subject to limited circumstances, candidates for director may be nominated and other business brought before an annual meeting only by the board of directors or by a stockholder who gives written notice to us no later than 90 days prior to nor earlier than 120 days prior to the first anniversary of the last annual meeting of stockholders. These provisions may have the effect of deterring unsolicited offers to acquire the Company or delaying changes in control of our management, which could depress the market price of our common stock. These provisions could also have the effect of delaying until the next stockholder meeting any stockholder actions, even if they are favored by the holders of a majority of our outstanding voting securities.

Amendment to certificate of incorporation and bylaws. The DGCL provides generally that the affirmative vote of a majority of the outstanding stock entitled to vote on amendments to a corporation's certificate of incorporation or bylaws is required to approve such amendment, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our amended and restated bylaws may be amended or repealed by a majority vote of our board of directors or, in addition to any other vote otherwise required by law, the approval by holders of at least 66 2⁄3% of the voting power of all of the then outstanding shares of the capital stock at a meeting of stockholders called for such purpose, voting together as a single class. Additionally, the approval by holders of at least 66 2⁄3% of the voting power of all of the then outstanding shares of the capital stock entitled to vote generally in the election of directors, voting together as a single class, is required to amend or repeal or to adopt any provision inconsistent with the "Board of Directors," "Limitation of Director Liability, "Action by Written Consent," "Annual Meetings of Stockholders," "Special Meetings of Stockholders," "Business Combinations," "Renouncement of Corporate Opportunity," "Exclusive Jurisdiction for Certain Actions," and "Amendments" provisions described in our amended and restated certificate of incorporation. However, if at any time RC II WS and its affiliates collectively own at least 50% of our outstanding voting stock, such alteration, amendment, repeal, or adoption only requires the affirmative vote of the holders of a majority of our outstanding voting stock, voting together as a single class. These provisions may have the effect of deferring, delaying, or discouraging the removal of any anti-takeover defenses provided for in our amended and restated certificate of incorporation and our amended and restated bylaws.

No cumulative voting. The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation expressly prohibits cumulative voting.

Corporate opportunity. Our amended and restated certificate of incorporation provides that we renounce any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may from time to time be presented to RC II WS or any of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries) and that may be a business opportunity for RC II WS, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. No such person will be liable to us for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person, acting in good faith, pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity, to us unless, in the case of any such person who is our director or officer, any such business opportunity is expressly offered to such director or officer solely in his or her capacity as our director or officer. None of RC II WS, any of the investment funds associated with RC II WS or any of their respective representatives has any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us or any of our subsidiaries.

Exclusive jurisdiction of certain actions. Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in the name of the Company, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits the Company by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in such action. Specifically, the choice of forum provision requiring that the Court of Chancery in the State of Delaware be the exclusive forum for certain suits would (i) not be enforceable with respect to any suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, and (ii) have uncertain enforceability with respect to claims under the Securities Act of 1933, as amended. The choice of forum provision in our amended and restated certificate of incorporation does not have the effect of causing our stockholders to have waived our obligation to comply with the federal securities laws and the rules and regulations thereunder.

Business combinations. We have opted out of Section 203 of the DGCL. However, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least 66 2⁄3% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our voting stock.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with a corporation for a three-year period. This provision may encourage companies interested in acquiring the Company to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our amended and restated certificate of incorporation provides that RC II WS, any affiliated investment entity, and any of their respective direct or indirect transferees of at least 15% of our outstanding common stock and any group as to which such persons are party to, do not constitute “interested stockholders” for purposes of this provision.

Limitation of Liability and Indemnification

Our amended and restated bylaws limit the liability of our directors to the fullest extent permitted by applicable law and provide that we will indemnify them to the fullest extent permitted by such law. We have entered into indemnification agreements with our current directors and executive officers and expect to enter into a similar agreement with any new directors or executive officers. We also maintain directors’ and officers’ liability insurance coverage.

Listing

Our common stock is listed on Nasdaq under the symbol “WING.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

WINGSTOP INC.
2015 OMNIBUS INCENTIVE COMPENSATION PLAN

PERFORMANCE–BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Performance-based Restricted Stock Unit Award Agreement (this "**Award Agreement**") evidences the award (the "**Award**") by Wingstop Inc. (the "**Company**") to [_______] (the "**Grantee**") of [_______] performance-based restricted stock units ("**PRSUs**"), granted on [_______] (the "**Grant Date**") in accordance with the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan (the "**Plan**"). The number of PRSUs awarded with respect to each of the following three successive performance periods (each a "**Performance Period**") is as follows:

[___]	PRSUs	[_______]
[___]	PRSUs	[_______]
[___]	PRSUs	[_______]

WINGSTOP INC.

By: ________________________________
Name:
Title:

TERMS AND CONDITIONS

Section 1. Plan. The Award is subject to all of the terms and conditions set forth in the Plan and this Award Agreement, and all capitalized terms not otherwise defined in this Award Agreement have the respective meaning of such terms as defined in the Plan. If a determination is made that any term or condition set forth in this Award Agreement is inconsistent with the Plan, the Plan will control. A copy of the Plan will be made available to the Grantee upon written request to the Secretary of the Company.

Section 2. Grant of PRSUs. Each PRSU represents the right to receive one share of $0.01 par value Common Stock of the Company (a "**Share**"), subject to the terms and conditions set forth in this Award Agreement and the Plan. The number of PRSUs actually payable under this Award Agreement depends on the extent to which the Company attains the performance conditions described in Section 4 of this Award Agreement with respect to each applicable PRSU Performance Period, and whether the Grantee satisfies the applicable service vesting conditions described in Section 5 of this Award Agreement. The PRSUs shall be credited to a separate account maintained for the Grantee on the books and records of the Company ("**Grantee's Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

Section 3. Consideration. The grant of PRSUs is made in consideration of the services to be rendered by the Grantee to the Company.

Section 4. Performance Conditions. The number of PRSUs granted with respect to a Performance Period that is earned by the Grantee will be determined based on [_______] during such Performance Period, in accordance with the following schedule:

[_______]	**Percentage of PRSUs Earned**
[_______]	%

If [_______] falls between the levels provided above, straight-line interpolation will be used to determine the percentage of PRSUs earned.

The Committee will determine and certify the number of PRSUs, if any, that the Grantee earns with respect to a Performance Period (the "**Earned PRSUs**") as soon as practicable and within 75 days following the end of such Performance Period (such date, the "**Determination Date**"). In all cases, the number of Earned PRSUs will be rounded down to the nearest whole number of PRSUs (as necessary). Upon the Committee's determination of the Earned PRSUs, all PRSUs granted with respect to the applicable Performance Period, other than such Earned PRSUs, shall be immediately forfeited. To become vested in the Earned PRSUs, the Grantee must also satisfy the vesting requirements of Section 5 below.

For the purposes of this Section 4, [_______] means [_______].

Section 5. Service Vesting Condition.

(a) The Earned PRSUs with respect to each Performance Period will vest and become nonforfeitable on the respective Determination Date, immediately upon the Committee's determination and certification that such PRSUs have been earned, provided that the Grantee remains continuously employed with the Company from the Grant Date through the applicable Determination Date on which vesting occurs. Except as otherwise provided in Section 5(b) or (c), upon the Grantee's Termination for any reason at any time before all of his or her PRSUs have vested, the Grantee's unvested PRSUs shall be automatically forfeited upon such Termination and the Company shall not have any further obligations to the Grantee under this Award Agreement.

(b) If the Grantee's employment terminates during a Performance Period as a result of the Grantee's death or Disability, the Grantee will vest in a pro rata portion of the PRSUs granted with respect to such Performance Period, determined by multiplying the PRSUs awarded with respect to such Performance Period by a fraction, the numerator of which equals the number of days that the Grantee was employed during such Performance Period and the denominator of which equals 365. For purposes of this Section 5(b), "Disability" has the same meaning as such term is defined in the Company's long-term disability insurance policies which now or hereafter cover the permanent disability of the Grantee or, in the absence of such policies, means the inability of the Grantee to work in a customary day-to-day capacity for six consecutive months or for six months within a 12 month period, as determined by the Board.

(c) In the event the Grantee's employment is terminated by the Company without Cause, or by the Grantee for Good Reason, in either case within six months prior to or two years following a Change in Control, all PRSUs granted pursuant to this Award Agreement, to the extent not previously forfeited or settled, shall become fully vested and nonforfeitable as of the date of the Grantee's termination of employment.

Section 6. Dividend Equivalents. If, prior to the date PRSUs are settled pursuant to Section 7, the Company declares a cash or stock dividend with respect to shares of Common Stock, then, on the payment date of the dividend, Dividend Equivalents shall be credited to the Grantee's Account in an amount equal to the dividends that would have been paid to the Grantee if one Share had been issued on the Grant Date for each PRSU granted to the Grantee as set forth in this Award Agreement. Any cash dividend credited to the Grantee's Account shall be adjusted with interest at a rate and subject to such terms as determined by the Committee. To the extent a PRSU to which such Dividend Equivalent relates becomes a vested Earned PRSU, the Dividend Equivalents and interest, if any, credited to the Grantee's Account shall be distributed in cash (or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents and interest) on the same date that such vested Earned PRSUs are settled pursuant to Section 7, and subject to the same vesting, forfeiture, payment, termination and other terms, conditions and restrictions as the PRSUs to which they relate. Any Dividend Equivalents payable under the Plan will be treated as separate payments from the underlying PRSUs for purposes of Section 409A of the Code ("**Section 409A**").

Section 7. Settlement.

(a) The Grantee's Earned PRSUs shall be settled in Shares as soon as practicable following the date such Earned PRSUs become vested under Section 5 above (and in no event later than March 15 of the calendar year following the calendar year in which such Earned PRSUs become vested) by delivering to the Grantee one Share for each such vested Earned PRSU. Upon receipt by the Grantee of a Share in settlement of a vested Earned PRSU, such PRSU shall be cancelled.

(b) Notwithstanding Section 7(a), if the Grantee is deemed a "specified employee" within the meaning of Section 409A as determined by the Committee, at a time when the Grantee becomes eligible for settlement of the PRSUs upon his "separation from service" within the meaning of Section 409A, then to the extent such PRSUs constitute deferred compensation within the meaning of Section 409A, such settlement will be delayed until the earlier of: (i) the date that is six months following the Grantee's separation from service and (ii) the Grantee's death.

Section 8. Delivery. The Company will deliver a properly issued certificate for any Shares received in settlement of PRSUs pursuant to Section 7 as soon as practicable after settlement (or otherwise register such Shares in the name of the Grantee), and such delivery (or registration in the name of the Grantee) shall discharge the Company of all of its duties and responsibilities with respect to the PRSUs under this Award Agreement.

Section 9. Nontransferable. Subject to any exceptions set forth in this Award Agreement or the Plan, until such time as the PRSUs are settled in accordance with Section 7, the PRSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the PRSUs or the rights relating thereto shall be wholly ineffective.

Section 10. Release. As a condition to the delivery of the Shares received in settlement of PRSUs pursuant to Section 7, the Company, at its option, may require the Grantee to execute a general release on behalf of the Grantee and the Grantee's heirs, executors, administrators and assigns, releasing all claims, actions and causes of action against the Company and each parent, subsidiary and former affiliate of the Company, and their respective current and former directors, officers, administrators, trustees, employees, agents, and other representatives. Such release must be in form and substance satisfactory to the Board.

Section 11. No Right to Continue Service. Neither the Plan, this Award Agreement, the Award, nor any related material shall give the Grantee the right to continue in employment by Company or shall adversely affect the right of the Company to terminate the Grantee's employment with or without Cause at any time.

Section 12. Shareholder Status. The Grantee shall have no rights as a shareholder with respect to the PRSUs until the Grantee receives a distribution of Shares in settlement of vested PRSUs in accordance with Section 7, and such Shares have been duly issued and delivered to (or registered in the name of) the Grantee.

Section 13. Securities Registration. As a condition to the delivery of the certificate for any Shares purchased pursuant to the settlement of the PRSUs pursuant to Section 7 (or the registration of such Shares in the name of the Grantee), the Grantee shall, if so requested by the Company, hold such Shares for investment and not with a view of resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect.

Section 14. Compliance with Law. The issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

Section 15. Other Agreements. As a condition to the delivery of the Shares received in settlement of PRSUs pursuant to Section 7, the Grantee shall enter into such additional confidentiality, covenant not to compete, non-disparagement and non-solicitation, employee retention, and other agreements as the Company deems appropriate, all in a form acceptable to the Board. The Grantee acknowledges that his receipt of the Award and participation in the Plan is voluntary on his part and has not been induced by a promise of employment or continued employment.

Section 16. Withholding. The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the PRSUs and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the Shares otherwise issuable or deliverable to the Grantee as a result of the vesting of the PRSUs;

(c) delivering to the Company previously owned and unencumbered shares of Common Stock; or

(d) any combination of (a), (b), or (c).

In the event that any PRSUs vest during a closed trading window under the Company's Insider Trading Compliance Policy, the Company shall satisfy any federal, state, or local tax withholding obligation in connection therewith by the method specified in Section 16(b).

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (x) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the PRSUs or the subsequent sale of any Shares, and (y) does not commit to structure the PRSUs to reduce or eliminate the Grantee's liability for Tax-Related Items.

Section 17. No Challenge. Notwithstanding any provision of this Award Agreement to the contrary, the Grantee covenants and agrees that he or she will not (i) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Award Agreement, or (ii) raise, as a defense, the validity or enforceability of any provision of this Award Agreement, in any claim, lawsuit, arbitration or other proceeding. Should the Grantee violate any aspect of this Section 17, the Grantee 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 the Grantee will pay all costs and damages incurred by the Company in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees and expenses), or such defense, as the case may be; (c) that the Grantee will immediately forfeit all unvested PRSUs; and (d) that the Grantee will immediately sell to the

Company all Shares received upon settlement of vested PRSUs at a price equal to the aggregate purchase price, if any, paid by the Grantee for such Shares, or the current fair market value of such Shares (as determined in the sole discretion of the Company), whichever is less.

Section 18. Governing Law. The Plan and this Award Agreement shall be governed by the laws of the State of Delaware.

Section 19. Binding Effect. This Award Agreement shall be binding upon the Company and the Grantee and their respective heirs, executors, administrators and successors.

Section 20. Section 409A. This Award Agreement and this award of PRSUs is intended to comply with the short-term deferral exception to Section 409A and any regulations or guidance that may be adopted thereunder from time to time and shall be interpreted by the Committee to effect such intent. This Section 20 does not create any obligation on the part of the Company to modify the terms of this Award Agreement or the Plan and does not guarantee that the PRSUs or the delivery of Shares upon settlement of the PRSUs will not be subject to taxes, interest and penalties or any other adverse tax consequences under Section 409A. The Company will have no liability to the Grantee or any other party if the PRSUs, the delivery of Shares upon settlement of the PRSUs or any other payment hereunder that is intended to be exempt from, or compliant with, Section 409A, is not so exempt or compliant or for any action taken by the Committee with respect thereto.

Section 21. Headings and Sections. The headings contained in this Award Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Agreement. Any references to sections in this Award Agreement shall be to sections of this Award Agreement, unless otherwise expressly stated as part of such reference.

Accepted and agreed to:

____
Grantee

Date: __________________________

Exhibit 10.14

WINGSTOP INC.
2015 OMNIBUS INCENTIVE COMPENSATION PLAN

SERVICE–BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Service-based Restricted Stock Unit Award Agreement (this "**Award Agreement**") evidences the award (the "**Award**") by Wingstop Inc. (the "**Company**") to [________] (the "**Grantee**") of [________] restricted stock units ("**RSUs**") granted on [________] (the "**Grant Date**") in accordance with the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan (the "**Plan**").

WINGSTOP INC.

By: ______________________________
Name:
Title:

TERMS AND CONDITIONS

Section 1. Plan. The Award is subject to all of the terms and conditions set forth in the Plan and this Award Agreement, and all capitalized terms not otherwise defined in this Award Agreement have the respective meaning of such terms as defined in the Plan. If a determination is made that any term or condition set forth in this Award Agreement is inconsistent with the Plan, the Plan will control. A copy of the Plan will be made available to the Grantee upon written request to the Secretary of the Company

Section 2. Grant of RSUs. Each RSU represents the right to receive one share of $0.01 par value Common Stock of the Company (a "**Share**"), subject to the terms and conditions set forth in this Award Agreement and the Plan. The RSUs shall be credited to a separate account maintained for the Grantee on the books and records of the Company (the "**Grantee's Account**"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

Section 3. Consideration. The grant of RSUs is made in consideration of the services to be rendered by the Grantee to the Company.

Section 4. Vesting. Except as otherwise provided herein, provided that the Grantee has not incurred a Termination as of the applicable vesting date, the RSUs will vest in accordance with the following schedule:

Vesting Date	Number of RSUs
[____] anniversary of the Grant Date	[____] of the RSUs
[____] anniversary of the Grant Date	[____] of the RSUs
[____] anniversary of the Grant Date	[____] of the RSUs

(a) The foregoing vesting schedule notwithstanding, except as provided in Section 4(b) or (c), upon the Grantee's Termination for any reason at any time before all of his or her RSUs have vested, the Grantee's unvested RSUs shall be automatically forfeited upon such Termination and the Company shall not have any further obligations to the Grantee under this Award Agreement.

(b) In the case of the Grantee's death or Disability, for purposes of determining vesting under this Section 4, the Grantee's employment will be deemed to have been terminated on the next scheduled anniversary date of the Grant Date for the purposes of vesting, and that period will count towards the applicable vesting schedule. For purposes of this Section 4(b), "Disability" has the same meaning as such term is defined in the Company's long-term disability insurance policies which now or hereafter cover the permanent disability of the Grantee or, in absence of such policies, means the inability of the Grantee to work in a customary day-to-day capacity for six consecutive months or for six months within a 12 month period, as determined by the Board.

(c) In the event a Change in Control occurs and within six months prior to or two years after such Change in Control (A) the Grantee's employment is terminated by the Company without Cause, or (B) the Grantee's employment is terminated by the Grantee for Good Reason, the unvested portion of the RSUs shall become fully vested and nonforfeitable as of the date of the Grantee's Termination of employment.

Section 5. Dividend Equivalents. If, prior to the date RSUs are settled pursuant to Section 6, the Company declares a cash or stock dividend with respect to shares of Common Stock, then, on the payment date of the dividend, Dividend Equivalents shall be credited to the Grantee's Account in an amount equal to the dividends that would have been paid to the Grantee if one Share had been issued on the Grant Date for each RSU granted to the Grantee as set forth in this Award Agreement. Any cash dividend credited to the Grantee's Account shall be adjusted with interest at a rate and subject to such terms as determined by the Committee. The Dividend Equivalents, and interest, if any, credited to the Grantee's Account shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of the Dividend Equivalents and interest, if any, subject to the same vesting, forfeiture, payment, termination and other terms, conditions and restrictions as the original RSUs to which they relate. Any Dividend Equivalents payable under the Plan will be treated as separate payments from the underlying RSUs for purposes of Section 409A of the Code ("**Section 409A**").

Section 6. Settlement.

(a) Vested RSUs shall be settled in Shares as soon as practicable following the date such RSUs are vested in accordance with Section 4 above (and in no event later than March 15 of the calendar year following the calendar year in which such RSUs become vested) by delivering to the Grantee one Share for each vested RSU. Upon receipt by the Grantee of a Share in settlement of a vested RSU, such RSU shall be cancelled.

(b) Notwithstanding Section 6(a), if the Grantee is deemed a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Grantee becomes eligible for settlement of the RSUs upon his "separation from service" within the meaning of Section 409A of the Code, then to the extent such RSUs constitute deferred compensation within the meaning of Section 409A of the Code, such settlement will be delayed until the earlier of: (i) the date that is six months following the Grantee's separation from service and (ii) the Grantee's death.

Section 7. Delivery. The Company will deliver a properly issued certificate for any Shares received in settlement of RSUs pursuant to Section 6 as soon as practicable after settlement (or otherwise register such Shares in the name of the Grantee), and such delivery (or registration in the name of the Grantee) shall discharge the Company of all of its duties and responsibilities with respect to the RSUs under this Award Agreement.

Section 8. Nontransferable. Subject to any exceptions set forth in this Award Agreement or the Plan, until such time as the RSUs are settled in accordance with Section 6, the RSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the RSUs or the rights relating thereto shall be wholly ineffective.

Section 9. Release. As a condition to the delivery of the Shares received in settlement of RSUs pursuant to Section 6, the Company, at its option, may require the Grantee to execute a general release on behalf of the Grantee and the Grantee's heirs, executors, administrators and assigns, releasing all claims, actions and causes of action against the Company and each parent, subsidiary and former affiliate of the Company, and their respective current and former directors, officers, administrators, trustees, employees, agents, and other representatives. Such release must be in form and substance satisfactory to the Board.

Section 10. No Right to Continue Service. Neither the Plan, this Award Agreement, the Award, nor any related material shall give the Grantee the right to continue in employment by Company or shall adversely affect the right of the Company to terminate The Grantee's employment with or without Cause at any time.

Section 11. Shareholder Status. The Grantee shall have no rights as a shareholder with respect to the RSUs until the Grantee receives a distribution of Shares in settlement of vested RSUs in accordance with Section 6, and such Shares have been duly issued and delivered to (or registered in the name of) the Grantee.

Section 12. Securities Registration. As a condition to the delivery of the certificate for any Shares purchased pursuant to the settlement of the RSUs pursuant to Section 4 (or the registration of such Shares in the name of the Grantee), The Grantee shall, if so requested by the Company, hold such Shares for investment and not with a view of resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect.

Section 13. Compliance with Law. The issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

Section 14. Other Agreements. As a condition to the delivery of the Shares received in settlement of RSUs pursuant to Section 6, The Grantee shall enter into such additional confidentiality, covenant not to compete, non-disparagement and non-solicitation, employee retention, and other agreements as the Company deems appropriate, all in a form acceptable to the Board. The Grantee acknowledges that his receipt of the Award and participation in the Plan is voluntary on his part and has not been induced by a promise of employment or continued employment.

Section 15. Withholding. The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the RSUs and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the Shares otherwise issuable or deliverable to the Grantee as a result of the vesting of the RSUs;

(c) delivering to the Company previously owned and unencumbered shares of Common Stock; or

(d) any combination of (a), (b), or (c).

In the event that any RSUs vest during a closed trading window under the Company's Insider Trading Compliance Policy, the Company shall satisfy any federal, state, or local tax withholding obligation in connection therewith by the method specified in Section 15(b).

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (x) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the RSUs or the subsequent sale of any Shares, and (y) does not commit to structure the RSUs to reduce or eliminate the Grantee's liability for Tax-Related Items.

Section 16. No Challenge. Notwithstanding any provision of this Award Agreement to the contrary, the Grantee covenants and agrees that he or she will not (i) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Award Agreement, or (ii) raise, as a defense, the validity or enforceability of any provision of this Award Agreement, in any claim, lawsuit, arbitration or other proceeding. Should The Grantee violate any aspect of this Section 16, The Grantee 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 The Grantee will pay all costs and damages incurred by the Company in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees and expenses), or such defense, as the case may be; (c) that The Grantee will immediately forfeit all unvested RSUs; and (d) that the Grantee will immediately sell to the Company all Shares received upon settlement of vested RSUs at a price equal to the aggregate purchase price, if any, paid by the Grantee for such Shares, or the current fair market value of such Shares (as determined in the sole discretion of the Company), whichever is less.

Section 17. Governing Law. The Plan and this Award Agreement shall be governed by the laws of the State of Delaware.

Section 18. Binding Effect. This Award Agreement shall be binding upon the Company and the Grantee and their respective heirs, executors, administrators and successors.

Section 19. Section 409A. This Award Agreement and this award of RSUs is intended to comply with the short-term deferral exception to Code Section 409A and any regulations or guidance that may be adopted thereunder from time to time and shall be interpreted by the Committee to effect such intent. This Section 19 does not create any obligation on the part of the Company to modify the terms of this Award Agreement or the Plan and does not guarantee that the RSUs or the delivery of Shares upon settlement of the RSUs will not be subject to taxes, interest and penalties or any other adverse tax consequences under Code Section 409A. The Company will have no liability to the Grantee or any other party if the RSUs, the delivery of Shares upon settlement of the RSUs or any other payment hereunder that is intended to be exempt from, or compliant with, Code Section 409A, is not so exempt or compliant or for any action taken by the Committee with respect thereto.

Section 20. Headings and Sections. The headings contained in this Award Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Agreement. Any references to sections in this Award Agreement shall be to sections of this Award Agreement, unless otherwise expressly stated as part of such reference.

Accepted and agreed to:

____
Grantee

Date:____________________________________

WINGSTOP INC.
2015 OMNIBUS INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK AWARD AGREEMENT

This Restricted Stock Award Agreement (this "**Award Agreement**") evidences the award (the "**Award**") by Wingstop Inc. (the "**Company**") to [________] (the "**Grantee**") of [________] shares of Common Stock of the Company (the "**Restricted Stock**") in accordance with and subject to the restrictions set forth in this Award Agreement and the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan (the "**Plan**").

WINGSTOP INC.

By: ______________________________
Name:
Title:

TERMS AND CONDITIONS

Section 1. Plan. The Award is subject to all of the terms and conditions set forth in the Plan and this Award Agreement, and all capitalized terms not otherwise defined in this Award Agreement have the respective meaning of such terms as defined in the Plan. If a determination is made that any term or condition set forth in this Award Agreement is inconsistent with the Plan, the Plan will control. A copy of the Plan will be made available to the Grantee upon written request to the Secretary of the Company.

Section 2. Consideration. The grant of Restricted Stock is made in consideration of the services to be rendered by the Grantee to the Company.

Section 3. Restricted Period; Vesting. Except as otherwise provided herein, provided that the Grantee has not incurred a Termination as of the applicable vesting date, the Restricted Stock will vest in accordance with the following schedule:

Vesting Date	**Shares of Restricted Stock**
[________]	[________] shares of Restricted Stock
[________]	[________] shares of Restricted Stock
[________]	[________] shares of Restricted Stock

(a) The foregoing vesting schedule notwithstanding, upon the Grantee's Termination for any reason at any time before all of his or her Restricted Stock has vested, the Grantee's unvested Restricted Stock shall be automatically forfeited upon such Termination and the Company shall not have any further obligations to the Grantee under this Award Agreement.

(b) Unless otherwise determined by the Committee at the time of a Change in Control, if there is a Change in Control, then to the extent not otherwise vested pursuant to Section 3, the unvested portion of the Restricted Stock shall be forfeited as of the date of the Change in Control.

Section 4. Restrictions. Subject to any exceptions set forth in this Award Agreement or the Plan, during the Restricted Period, the Restricted Stock or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock or the rights relating thereto during the Restricted Period shall be wholly ineffective and, if any such attempt is made, the Restricted Stock will be forfeited by the Grantee and all of the Grantee's rights to such shares shall immediately terminate without any payment or consideration by the Company.

Section 5. Rights as Shareholder; Dividends. The Grantee shall be the record owner of the Restricted Stock until the shares of Common Stock are sold or otherwise disposed of, and shall be entitled to all of the rights of a shareholder of the Company including, without limitation, the right to vote such shares and receive any and all dividends or other distributions paid with respect to those shares of Restricted Stock which the Grantee is the record owner on the record date for such dividend or other distribution; provided, however, that any property or cash (including, without limitation, any regular cash dividends) distributed with respect to a share of Restricted Stock (the "**associated share**") acquired hereunder, including without limitation a distribution of shares of common stock by reason of a stock dividend, stock split or otherwise, or a distribution of other securities with respect to an associated share, shall be subject to the restrictions of this Award Agreement in the same manner and for so long as the associated share remains subject to such restrictions, and shall be promptly forfeited if and when the associated share is so forfeited; and further provided, that the Administrator may require that any cash distribution with respect to the shares of Restricted Stock be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan. Any cash amounts that would otherwise have been paid with respect to an associated share shall be accumulated and paid to the Grantee, without interest, only upon, or within thirty (30) days following, the date on which such associated share vests in accordance with this Award Agreement (such date, the "**Vesting Date**") and any other property distributable with respect to an associated share shall vest on the Vesting Date. References in this Award Agreement to the shares of Restricted Stock shall refer, *mutatis mutandis*, to any such restricted rights to cash or restricted property described in this Section 5.

Section 6. Delivery. The Company may issue evidence of the Grantee's interest by issuing "book entry" Shares (i.e., a computerized or manual book entry account) in the records of the Company or its transfer agent in the Grantee's name.

Section 7. Release. As a condition to the lapse of vesting restrictions set forth in this Award Agreement and the Plan or removal of any legend restricting the transferability of the shares of Restricted Stock pursuant to this Award Agreement, the Company, at its option, may require the Grantee to execute a general release on behalf of the Grantee and the Grantee's heirs, executors, administrators and assigns, releasing all claims, actions and causes of action against the Company and each parent, subsidiary and former affiliate of the Company, and their respective current and former directors, officers, administrators, trustees, employees, agents, and other representatives. Such release must be in form and substance satisfactory to the Board.

Section 8. No Right to Continue Service. Neither the Plan, this Award Agreement, the Award, nor any related material shall give the Grantee the right to continue in employment by Company or shall adversely affect the right of the Company to terminate the Grantee's employment with or without Cause at any time.

Section 9. Section 83(b) Election. The Grantee may make an election under Code Section 83(b) (a "**Section 83(b) Election**") with respect to the Restricted Stock. Any such election must be made within thirty (30) days after the Grant Date. If the Grantee elects to make a Section 83(b) Election, the Grantee shall provide the Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the U.S. Internal Revenue Service. The Grantee agrees to assume full responsibility for ensuring that the Section 83(b) Election is actually and timely filed with the U.S. Internal Revenue Service and for all tax consequences resulting from the Section 83(b) Election.

Section 10. Compliance with Law. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the shares of Common Stock with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

Section 11. Legends. A legend may be placed on any certificate(s), notice(s) of uncertificated shares, or other document(s) delivered to the Grantee indicating restrictions on transferability of the shares of Restricted Stock pursuant to this Award Agreement or any other restrictions that the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable federal or state securities laws, or any stock exchange on which the shares of Common Stock are then listed or quoted.

Section 12. Other Agreements. The Grantee shall (as a condition of the lapse of vesting restrictions set forth in this Award Agreement and the Plan or removal of any legend restricting the transferability of the shares of Restricted Stock pursuant to this Award Agreement) enter into such additional confidentiality, covenant not to compete, non-disparagement and non-solicitation, employee retention, and other agreements as the Company deems appropriate, all in a form acceptable to the Board. The shares of Restricted Stock may include one or more legends that reference or describe the conditions upon exercise referenced in this Section 12. The Grantee acknowledges that his receipt of the Award and participation in the Plan is voluntary on his part and has not been induced by a promise of employment or continued employment.

Section 13. Withholding. The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the shares of Restricted Stock and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Grantee to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the Shares otherwise issuable or deliverable to the Grantee as a result of the vesting of the shares of Restricted Stock;

(c) delivering to the Company previously owned and unencumbered shares of Common Stock; or

(d) any combination of (a), (b), or (c).

In the event that any shares of Restricted Stock vest during a closed trading window under the Company's Insider Trading Compliance Policy, the Company shall satisfy any federal, state, or local tax withholding obligation in connection therewith by the method specified in Section 13(b).

Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (x) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the shares of Restricted Stock or the subsequent sale of any shares, and (y) does not commit to structure the shares of Restricted Stock to reduce or eliminate the Grantee's liability for Tax-Related Items.

Section 14. No Challenge. Notwithstanding any provision of this Award Agreement to the contrary, the Grantee covenants and agrees that he or she will not (i) file any claim, lawsuit, demand for arbitration, or other proceeding challenging the validity or enforceability of any provision of this Award Agreement, or (ii) raise, as a defense, the validity or enforceability of any provision of this Award Agreement, in any claim, lawsuit, arbitration or other proceeding. Should the Grantee violate any aspect of this Section 14, the Grantee 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 the

Grantee will pay all costs and damages incurred by the Company in responding to or as a result of such claim, lawsuit, demand for arbitration, or other proceeding (including reasonable attorneys' fees and expenses), or such defense, as the case may be; (C) that the Grantee will immediately forfeit all unvested shares of Restricted Stock; and (d) that the Grantee will immediately sell to the Company all vested shares of Restricted Stock at a price equal to the fair market value of such shares on the Grant Date, or the current fair market value of such shares (as determined in the sole discretion of the Company), whichever is less.

Section 15. Governing Law. The Plan and this Award Agreement shall be governed by the laws of the State of Delaware.

Section 16. Binding Effect. This Award Agreement shall be binding upon the Company and the Grantee and their respective heirs, executors, administrators and successors.

Section 17. Headings and Sections. The headings contained in this Award Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Award Agreement. Any references to sections in this Award Agreement shall be to sections of this Award Agreement, unless otherwise expressly stated as part of such reference.

Accepted and agreed to:

____
Grantee

Date: __________________________

EXHIBIT 10.18

EXECUTION VERSION

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this “Agreement”), executed on November 13, 2019 (the “Effective Date”), is entered into by Wingstop Inc., a Delaware corporation (the “Company”), and Charles R. Morrison, in his individual capacity (“Executive”), on the terms and conditions as follows:

Section 1. TERM OF EMPLOYMENT

Executive and Wingstop Restaurants Inc., a Texas corporation and subsidiary of the Company (“WRI”), previously entered into an Employment Agreement effective as of January 1, 2017 (the “Prior Agreement”), which Prior Agreement, in accordance with its terms, would terminate on December 31, 2019. The Company and Executive desire to continue the employment of Executive upon the terms and conditions stated in this Agreement. The parties hereto expressly agree that as of the Effective Date, this Agreement will amend, restate, and supersede the Prior Agreement in its entirety, the Prior Agreement shall be terminated, and all rights and obligations of the parties under the Prior Agreement shall terminate; provided, that the party’s rights and obligations relating to (i) payment of bonuses for 2019 and any accrued but unpaid base salary or benefits under the Prior Agreement remain in full force and effect and (ii) existing equity awards shall remain in full force and effect. Subject to the terms and conditions set forth in this Agreement, the Company agrees to continue to employ Executive and Executive agrees to continue to be employed by the Company through December 31, 2024 (with such period of time being referred to herein as, the “Term”), which date is five (5) years following the date on which the Prior Agreement would have terminated in accordance with its terms.

Section 2. POSITION AND DUTIES AND RESPONSIBILITIES

(a) Position. Executive shall be the Company’s President and Chief Executive Officer. Executive shall also serve as President and Chief Executive Officer of the Company’s subsidiaries Wingstop Holdings Inc. (“WHI”) and WRI and as Chairman of the Company’s Board of Directors (the “Board”). For purposes of this Agreement, “Affiliate” shall mean a person or entity controlling, controlled by or under common control with the Company, including, but not limited to, WHI and WRI.

(b) Duties and Responsibilities. During the Term, Executive shall serve as the Company’s President and Chief Executive Officer and Chairman of the Board and shall devote all of Executive’s business time, skill and energies to promote the interests of the Company and to serve in such positions with the Company as may be reasonably assigned by the Board consistent with the title of President and Chief Executive Officer of the Company. Executive will also serve in such additional positions with WHI and WRI as may be reasonably assigned by the Board of Directors of such companies. Executive shall undertake to perform all of Executive’s duties and responsibilities for the Company, the Board, WHI, WRI 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. Executive shall not directly or indirectly render any services of a business, commercial or professional nature to any other person or organization not related to the business of the Company or its Affiliates, whether for compensation or otherwise, without the prior approval of the Board; provided, however, Executive may (i) make capital and passive investments in any business (other than a Competing Business (as defined below)) owned, operated or franchised by his children and/or other immediate family members and (ii) serve on the board of directors of one for-profit corporation with the prior approval of the Board, and Executive may serve as a director of not-for-profit organizations or engage in other charitable, civic or educational activities, so long as the activities described in this proviso do not interfere with Executive's performance of his duties hereunder, or result in any conflict of interest with the Company.

Section 3. COMPENSATION AND BENEFITS

(a) Base Salary. During the Term, Executive's base salary shall be $800,000 per year (the "Base Salary"), starting as of the Effective Date (pro-rated for any partial year), which Base Salary shall be (i) payable in installments in accordance with the Company's standard payroll practices and policies, and (ii) subject to such withholding and other taxes as required by law or as otherwise permissible under such practices or policies. Annually during the Term, the Company shall review with Executive his job performance and compensation, and if deemed appropriate by the Board or the Compensation Committee of the Board (the "Committee"), in its or their discretion, Executive's Base Salary may be increased but not decreased. After any such increase, the term "Base Salary" as used in this Agreement will thereafter refer to the increased amount. Executive shall not receive additional compensation for service as a director on the Company's Board or as a director of any Affiliate of the Company (other than reimbursement of reasonable expenses).

(b) Employee Benefit Plans. During the Term, 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) Annual Bonuses. Beginning with fiscal year 2020, Executive shall be eligible for an annual bonus (the "Annual Bonus") with an annual target amount equal to 125% of Base Salary (any such bonus amount to be pro-rated for any partial year), and a maximum amount of equal to up to 200% of his annual target amount based on performance goals (which equates to 250% of Base Salary), as established by the Committee. The Committee and/or the Board shall set targets with respect to and otherwise determine Executive's Annual Bonuses in accordance with the Company's then current incentive plans. Any such Annual Bonuses shall be paid, if at all, no later than two and one-half (2 ½) months after the end of the year to which the bonus period relates.

(d) Paid Time Off. Executive shall accrue up to twenty (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 Board. 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 employees and Section 7(c) herein.

(f) Annual Equity Awards.

(1) As part of Executive's compensation, Executive may be granted stock options, restricted stock, restricted stock units or other forms of equity compensation (the "Equity Awards") in the future based upon Executive's performance, as determined in the sole discretion of the Committee. For fiscal year 2020, Executive shall be granted an annual equity compensation award in a combination of 1/3 time-based options and 2/3 performance-based restricted stock

units, with an aggregate fair value (determined in accordance with FASB ASC Topic 718) equal to or greater than $2,500,000, and the performance-based grant will include an opportunity to earn up to 250% of target based on certain stretch performance goals as established by the Committee. Equity compensation payable to Executive shall be reviewed and approved by the Committee on an annual basis. The grant value for the Equity Awards shall be no less than $2,500,000 for each year during the Term (provided that future years may be a different mix of awards as determined by the Committee).

(2) Equity Awards shall be subject to the terms of the Company's 2015 Omnibus Equity Incentive Plan or other applicable equity plan in effect from time to time (the "Stock Plan") and related award agreement in a form determined by the Committee. Upon the terms and conditions established by the Committee or provided under the Stock Plan and applicable award agreement, (i) all Equity Awards will provide for acceleration of time-based Equity Awards and continued vesting of performance-based vesting awards upon Executive's "Retirement" (defined as a termination of employment by Executive, other than a termination of employment by the Company for Cause (as defined below) after age 55 and 10 years of service, provided that Executive's Retirement does not occur during the first year following the grant of the Equity Award or during the Term) as if Executive remained employed for the remainder of the performance period and subject to the achievement of performance goals; (ii) Equity Awards that are stock options shall provide that upon Executive's Retirement, the post-termination exercise period for the option will be for the remainder of the remaining original 10 year term of such option; (iii) there shall be pro-rata vesting of Equity Awards on Executive's termination of employment due to his death or Permanent Disability (as defined below), measured by days employed over the performance or vesting period, as applicable; (iv) upon the consummation of a "Change in Control" (as defined in the Stock Plan), (A) the performance period for any performance-based Equity Awards that are restricted stock units shall truncate and such Equity Awards shall be paid pro-rata for the portion of the elapsed performance period at higher of actual or target level, with the balance converted into time-based restricted stock units (based on the higher of actual performance or target level), which vest over the remaining portion of the performance period, subject to acceleration if Executive is terminated without Cause or for Good Reason after the Change in Control during the performance period; and (B) time-based Equity Awards will accelerate if Executive is terminated by the Company without Cause or by Executive for Good Reason following the date of the Change in Control. The Equity Awards shall be issued in lieu of, and not in addition to, any other annual equity award(s) granted to executive officers of the Company that would otherwise be granted to Executive.

(3) Executive agrees and acknowledges that the future grant of equity awards, if any, and the terms of any such equity awards shall be subject to the discretion of the Committee and the Stock Plan and applicable award agreement(s), subject to Sections 3(f)(1) and (2).

(g) One-Time Performance RSU Equity Grant. As soon as administratively practicable after the Effective Date, the Company agrees to grant Executive a one-time performance based restricted stock unit grant (the "Special Grant") with a fair value (determined in accordance with FASB ASC Topic 718) equal to or greater than $3,000,000 that vests upon the successful achievement of a one-year operational goal (established by the Committee in its reasonable discretion after considering comments and input from Executive), that will, to the extent vested, be converted into shares of the Company's common stock equal to 25% of the Special Grant a year on each of the second, third, fourth and fifth anniversaries of the date of grant, provided that Executive is providing services to the Company on each such date. The Special Grant shall be subject to the terms of the Stock Plan and a form of award agreement.

(h) Compliance with Compensation and Equity Policies. Executive agrees to comply with the Company'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 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.

(i) Legal Fees. The Company shall reimburse Executive for all of his reasonable, documented legal fees and expenses associated with the negotiation of this Agreement up to a maximum of $40,000 within 30 days of the Effective Date.

Section 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 terminate his employment at any time, subject to the obligations and conditions contained herein.

(b) Termination by the Company without Cause or by Executive with Good Reason. If (i) the Company terminates Executive without Cause (as defined below), or (ii) Executive terminates for Good Reason (as defined below), then, upon Executive's Termination of Employment (as defined below), Executive shall be entitled to the following (in lieu of any other severance benefits under any of the Company employee benefit plans, programs or policies but in addition to benefits under Section 4(h)): (x) two (2) times Executive's Base Salary as in effect at the time of termination and two (2) times Executive's Annual Bonus (at target value) for the year of termination, payable for a period of twenty-four (24) months in accordance with the Company's normal payroll practices and subject to such withholding and other taxes as may be required or otherwise permissible under the Company's practices or policies; and (y) any unpaid amounts in respect of Annual Bonuses earned in the most recently completed year, which shall be paid within thirty (30) days of the Termination of Employment. Notwithstanding the foregoing, if such termination, either by the Company without Cause or by Executive for Good Reason, occurs on or within the twenty-four (24) month period following a Change in Control (as defined in the Stock Plan), for purposes of this Section 4(b), two and a half (2.5) times shall be used in lieu of two (2) times Executive's Base Salary and Annual Bonus. The Company shall have no obligation to make any such payments or to provide the benefits contemplated by Section 4(h) if (i) Executive violates any of the provisions of Section 6 of this Agreement, or (ii) Executive does not execute and deliver 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 Affiliates and former Affiliates within forty (40) days following Executive's Termination of Employment, including a period of seven (7) days in which to revoke such general release. Executive waives Executive's rights, if any, to have the payments provided for under this Section 4(b) taken into account in computing any other benefits payable to, or on behalf of, Executive by the Company. For the purposes of this Agreement, "Termination of Employment" means the date on which Executive's "separation from service" occurs within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(c) Termination by the Company for Cause or by Executive other than for Good Reason.

(1) The Company shall have the right to terminate Executive's employment at any time for Cause, and Executive shall have the right to terminate at any time with or without Good Reason.

(2) If the Company terminates Executive's employment for Cause or Executive terminates other than for Good Reason, the Company's only obligation to Executive under this Agreement (except as provided under Section 4(g)) shall be to pay, upon Executive's Termination of Employment, Executive's Base Salary under Section 3(a) that he actually earned up to the date of Executive's Termination of Employment plus any Annual Bonus earned in the previous year and not already paid. Such payments shall be made within sixty (60) days following the date of Executive's Termination of Employment.

(d) Cause. "Cause" hereunder shall mean (i) gross negligence or willful misconduct by Executive in connection with the performance of his duties; (ii) Executive's conviction or plea of a felony or other serious crime involving moral turpitude that is, or may reasonably be expected to be, materially injurious to the Company, its business or reputation; (iii) Executive's material breach of any material term of this Agreement or any written restrictive covenants agreement with the Company; (iv) acts or omissions involving willful or intentional malfeasance or misconduct that is, or may reasonably be expected to be, materially injurious to the Company, its business or reputation; or (v) commission of any act of fraud or embezzlement against the Company; provided, however, that Executive may not be terminated for "Cause" under (iii) or (iv) above unless Executive fails to cure any such breach within ten (10) days after written notice of the breach; and provided further, that Executive shall only be entitled to one such opportunity to cure under this Agreement.

(e) Good Reason. "Good Reason" means, unless the Company has Cause to terminate Executive's employment, or unless the Company's action is based on Executive's Death or Permanent Disability (as defined below) that occurs prior to the event giving rise to Good Reason, without the express written consent of Executive, termination of Executive's employment due to (i) a material reduction in Executive's Base Salary as provided in Section 3(a) of this Agreement or a reduction in Executive's Annual Bonus opportunity as provided in Section 3(c) of this Agreement, (ii) a material diminution in Executive's title, duties, position or responsibilities, including Executive ceasing to serve as the Company's most senior executive officer or the assignment to Executive of any duties materially inconsistent with his positions, duties, and responsibilities with the Company; (iii) a material reduction in the overall level of employee benefits from the level at the Effective Date (other than a reduction that is required by applicable law or uniformly applies to all similarly-situated employees), including any benefit or compensation plan, stock option or other equity incentive plan, retirement plan, life insurance plan, health and accident plan or disability plan in which Executive is actively participating (provided, however, that there shall not be deemed to be any such failure if the Company substitutes for the discontinued plan, a plan providing Executive with substantially similar benefits) or the taking of any action by the Company that would adversely affect Executive's participation in or materially reduce Executive's overall level of benefits under such plans; (iv) the Company's requiring Executive to move Executive's primary place of employment more than 50 miles from Executive's then present location; or (v) the Company's material breach of this Agreement, including a breach caused by the failure of the Company to obtain the assumption of this Agreement by any successor to the Company; provided, however, that no act or omission described in clauses (i) through (v) shall be treated as "Good Reason" under this Agreement unless (1) Executive delivers to the Company a written notice of the basis for Executive's belief that Good Reason exists, (2) Executive gives the Company thirty (30) days after the delivery of such notice to cure the basis for such belief, and (3) Executive actually terminates employment no later than the end of the five (5)-day period which begins immediately after the end of such thirty (30)-day period if Good Reason continues to exist after the end of such thirty (30)-day period.

(f) Termination for Disability or Death.

(1) Disability. The Company may terminate Executive's employment if Executive is unable to substantially 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) pro-rated portions of the Annual Bonuses that would otherwise be earned with respect to the year in which such Termination of Employment occurred (based on actual Company performance for the entire year and pro-rated for the portion of the year Executive was employed by the Company), which shall be paid at the time bonuses are normally paid and in all events within two and one-half (2½) months of the end of such year; (ii) any other amounts earned, including, if applicable, earned but unpaid Base Salary, accrued or owing but not yet paid, within sixty (60) days following the date of Executive's Termination of Employment or such earlier date required by law; and (iii) 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 Section 4(f)(1), to submit to a physical examination by a licensed physician selected by the Board or the Committee. 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 or the Committee.

(2) Death. The Term shall terminate in the event of Executive's death. In such event, the Company shall provide to Executive's executors, legal representatives or administrators, as applicable, payment in the amount and at the time contemplated by Section 4(f)(1)(i). In addition, Executive's estate shall be entitled to (i) pro-rated portions of the Annual Bonuses that would otherwise be earned with respect to the year in which such Termination of Employment occurred (based on actual Company performance for the entire year and pro-rated for the portion of the year Executive was employed by the Company) which shall be paid at the time bonuses are normally paid and in all events within two and one-half (2½) months of the end of such year; (ii) any other amounts earned, including, if applicable, earned but unpaid Base Salary, accrued or owing but not yet paid, within sixty (60) days of the date of Executive's termination of employment or such earlier date required by law; and (iii) 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.

(h) Other Severance Benefits. If Executive terminates employment as specified in Section 4(b) or 4(f)(1) or due to or upon his Retirement, Executive and his covered dependents shall be entitled to continue to participate in the Company's health care plan as if he were a still active employee for up to twenty-four (24) months following the date his Termination of Employment (the "Continuation Coverage Period").

During the Continuation Coverage Period, the Company will continue to pay on behalf of Executive that portion of the monthly premium it pays on behalf of active employees for the same level of coverage elected by Executive. Notwithstanding the foregoing, if the Company's payment of monthly premiums on behalf of Executive under this Section 4(h) would violate the nondiscrimination rules applicable to non-grandfathered plans under applicable law, or result in the imposition of penalties under applicable law, or the coverage of Executive and his dependents under the Company's health care plan would violate the terms thereof, the parties agree to reform this Section 4(h) in a manner as is necessary to comply with applicable law and the terms of the Company's health care plan.

Section 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 to Executive or for 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 Executive of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to 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 Section 409A of the Code. In the event that Executive receives reduced payments and benefits, the order in which they shall be reduced is the following: (i) cash payments under Section 4(b) that do not constitute deferred compensation within the meaning of Section 409A of the Code; (ii) cash payments under Section 4(b) that do constitute deferred compensation, in each case, beginning with the payment or benefits that are to be paid or provided the farthest in time from the effective date of Executive's termination of employment; and (iii) the rights to continued health insurance and other benefits under Section 4(h); in each case only to the extent that such reduction would eliminate or reduce the Excise Tax.

Section 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) Confidential Information.

(1) After the Effective Date, the Company agrees to provide Executive, and Executive acknowledges that, based on his position and duties with the Company, he will receive, highly Confidential Information (defined below) relating to the Company. While employed by the Company and after termination of such employment for any reason, 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 Confidential Information that Executive 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, in the course of, or as a result of Executive's employment by the Company for so long as such information remains Confidential Information, 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 Confidential Information pursuant to such an order or subpoena, except as provided in Section 6(b)(4), 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 or trade secret, without regard to form, including technical or non-technical data, possessed by the Company relating to its businesses that is or has been disclosed to Executive or about which Executive becomes aware as a consequence of or through Executive's relationship with the Company, and that is not generally known to the Company's competitors, including financial information and data, financial plans, a list of actual or potential customers or suppliers that are not commonly known or available to the public and which information (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, details of client or consultant contracts, current and anticipated customer requirements, pricing policies, price lists, recipes, menu strategies, restaurant design plans or strategies, market studies, business plans and strategies, licensing strategies, advertising campaigns, operational methods, marketing plans or strategies, product plans and 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, employee compensation information, business acquisition plans and new personnel acquisition plans. Confidential Information does not include any information that has been voluntarily disclosed to the public by the Company (except where such public disclosure has been made by Executive or others without authorization of the Company) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

(3) This Section 6(b) is 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.

(4) Executive acknowledges and agrees that the Company will prosecute any non- confidential disclosure or misappropriation of the Company's Confidential Information to the full extent allowed by federal, state, and common law. The Company further provides Executive the following notice, which Executive confirms he understands, 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, Executive 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, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Company's trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

(c) 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 Executive 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.

(d) 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 Section 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.

(e) Non-Competition; Non-Solicitation.

(1) While employed by the Company and for twenty-four (24) months 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 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 (i) any geographical territory within fifty (50) miles of any location (whether in the United States or in any other nation in the world) at which the Company operates, has franchises or company stores or restaurants, or has an executed, or has substantially negotiated a, development, operation or franchise agreement as of the last date of Executive's employment with the Company. For the purposes of this Agreement, the term "Competing Business" means any business that (i) owns, operates, develops or franchises a quick-service restaurant or fast casual dining restaurant (in either case, whether dine-in, take-out, home delivery or otherwise) or related business whose primary core offering is fried chicken and which derives 30% or more of its gross revenues from the sale of any combination of chicken wings (bone-in or boneless), chicken strips and any other chicken product sold at a Wingstop location at the time of Executive's termination, and (ii) operates in any state in the United States or in any nation in the world in which the Company has a franchised location or is operating a company restaurant or store (or has an executed, or has substantially negotiated a, development, operating or franchise agreement) as of the last date of Executive's employment. Executive acknowledges and agrees that the Territory identified in this Section 6(e)(1) is the geographic area in or as to which he is expected to perform services or have responsibilities for the Company and its Affiliates by being actively engaged as a member of the Company's management team as President and Chief Executive Officer during his employment with the Company.

(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. The foregoing restrictions also shall not be construed to prohibit any capital or passive investment by Executive in any

business owned, operated or franchised by his children and/or other immediate family members, provided that such business is not a Competing Business.

(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 with whom Executive had material contact in the course of Executive's employment with the Company 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 with the Company or its Affiliates and shall not assist any other person or entity in such a solicitation.

(6) In return for Executive's obligations and undertakings pursuant to this Agreement, including the obligations set forth in Section 6, the Company promises to provide Executive with certain of its trade secrets and/or confidential information, and to provide Executive with specialized instruction and training, to the extent such instruction, training, confidential information and/or trade secrets are necessary for Executive to perform his duties for the Company. Executive agrees that these promises, in addition to his employment or continued employment with the Company, his equity in the Company and the goodwill associated with his employment and the other promises and benefits contained herein are sufficient consideration for his entering into this Agreement.

(f) Mutual 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. Former Affiliates are third party beneficiaries of Executive's obligations under this Section 6(f). The Board and the Company's named executive officers 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 Executive, including negative references to or about the Executive's services, policies, practices, documents, methods of doing business, strategies, or objectives, or take any other action that may disparage the Executive to the general public. However, nothing in this Section 6(f) shall prohibit: (i) Executive, any member of the Board or any named executive officer of the Company from testifying truthfully in response to a subpoena or participating in any governmental proceeding; (ii) Executive from engaging in any criticism or other statements made internally within the Company on a need-to-know basis, and provided such criticism or other statement is not presented in a disruptive or insubordinate manner, concerning Company's performance or nonperformance of Company's Business; and (iii) any named executive officer or member of the Board from engaging in any criticism or other statements made internally within the Company on a need-to-know basis concerning Executive's performance or nonperformance of Executive's duties or responsibilities for the Company.

(g) Cooperation. Executive will cooperate with all reasonable requests by the Company (or any Affiliate of the Company) at the Company's reasonable expense 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.

(h) Reasonable and Continuing Obligations. Executive agrees that Executive's obligations under this Section 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 Section 6, including, but in no way limited to, seeking injunctive relief.

(i) 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 Section 6 would be inadequate and that the Company shall be entitled to specific performance of the covenants in this Section 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 Section 6, or both, or other appropriate judicial remedy, writ or order, in each case without the necessity of the Company posting a bond, 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 Section 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.

Section 7. SECTION 409A MATTERS

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

(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 such termination of employment constitutes a “separation from service” within the meaning of Section 409A of the Code, 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 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 deferred compensation 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 the meaning of Section 409A of the Code and that such delay is required to comply with Section 409A of the Code.

(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 Section 409A of the Code.

(e) In the event that Section 409A of the Code 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 Section 409A of the Code if and to the extent required.

(f) 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 Section 409A of the Code 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 Section 409A of the Code. Executive further agrees that Executive shall be the only person responsible for paying all taxes due with respect to such payments and benefits.

Section 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 or similar method of transmission to the recipient, in each case as follows:

If to the Company: Rebecca Minor
Sr. Vice President, General Counsel and Secretary
Wingstop Inc.
5501 LBJ Freeway, 5th Floor

Dallas, TX 75240

If to Executive: Charles R. Morrison
1508 Moss Ln.
Southlake, TX 76092

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) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal law of Texas, without regard to principles of conflict of laws.

(d) Amendment. No amendment to this Agreement shall be effective unless it is both (i) agreed to and signed by Executive and a duly authorized officer of the Company and (ii) reviewed and approved by the Board or the Committee.

(e) Arbitration. The Company and Executive shall have the right to obtain from a court an injunction or other equitable relief arising out of Executive's breach of the provisions of Section 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, retaliation, denial of leave or wage and hour infraction in violation of any federal, state or local law, shall be settled by bilateral binding arbitration to occur 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 legal or equitable rights hereunder.

(j) 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, except to the extent equity award terms are included herein, in which case such terms shall control and be included within Executive's equity award agreements.

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Entire Agreement; Termination of Prior Agreement. This Agreement constitutes the entire agreement among the parties with respect to Executive's employment relationship to the Company and supersedes all prior agreements and understandings, both oral and written, including but not limited to any term sheet or other similar summary of proposed terms, between the parties with respect to the subject matter of this Agreement. As of the Effective Date, this Agreement will supersede the Prior Agreement, the Prior Agreement shall be terminated, and all rights and obligations of the parties under the Prior Agreement shall terminate; provided, that the party's rights and obligations relating to payment of bonuses for 2019 and any accrued but unpaid base salary or benefits under the Prior Agreement and vesting of equity awards under the Prior Agreement remain in full force and effect. Executive represents and warrants that he 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.

(q) 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.

(r) 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 general release of all claims discharging the Company and its subsidiaries, and their respective current and former 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 general 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).

(s) 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.

(t) 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 INC.		**EXECUTIVE**	
By:	/s/ Rebecca Minor	By:	/s/ Charles Morrison
Name:	Rebecca Minor	Name:	Charles Morrison
Title:	SVP/GC		
Date:	November 13, 2019	Date:	November 13, 2019

December 26, 2019

Mr. Lawrence Kruguer
6630 Longfellow Drive
Dallas, Texas 75230

Dear Larry:

This letter agreement (this "Agreement") confirms the terms of the resignation of your employment from Wingstop Inc. (the "Company").

Resignation of Employment

1. You submitted a written resignation to the Company, on December 26, 2019, resigning from all employment and managerial positions, boards and officer, director or trustee positions, if any, with the Company or any of its affiliates. The effective date of your resignation will be March 7, 2020, unless an earlier date is agreed to by you and the Company (the "Separation Date").

2. You will continue to devote a substantial amount of your time and attention to your full-time employment with the Company through the Separation Date.

3. Following the receipt of the aforementioned resignation, you will receive the following compensation: (a) your base salary in effect through the Separation Date, to the extent not previously paid; (b) any bonus or variable compensation earned by you for any previously completed fiscal year but unpaid as of the Separation Date; (c) reimbursement for any unreimbursed business expenses properly incurred by you in accordance with Company policy prior to the Separation Date and properly submitted for reimbursement; and (d) such reimbursements and benefits under the Company's benefit plans, if any, to which you became entitled prior to or on the Separation Date, as determined in accordance with Company policies.

Certain Acceleration of Equity Award Vesting

4. You understand and acknowledge that any of your outstanding equity awards will be governed by the terms of the Company's 2015 Omnibus Incentive Compensation Plan, a copy of which is attached as Exhibit A, and the underlying award agreements relating to such equity awards (collectively, the "Award Agreements"), except that, notwithstanding anything in the Award Agreements to the contrary, with respect to your stock option granted on June 11, 2015 pursuant to that Stock Option Certificate EBITDA and Service Vesting Grant (the "2015 Options"), the next tranche of the service-based 2015 Options (5,264 shares) that was scheduled to vest on June 11, 2020 shall vest effective as of the Effective Date (defined below) (the "Equity Award Acceleration") and that, except as expressly set forth in this Paragraph 4, this Agreement does not alter or amend the other terms and conditions of the Award Agreements.

Severance Benefits

5. The Company agrees to pay you the following additional severance benefits: (a) six hundred thousand dollars ($600,000), less applicable withholdings and deductions (the "Severance"), which you acknowledge is equal to one and one-half (1.5) times your base salary in effect immediately

prior to the Separation Date; and (b) during each month during the 18-month period following the date on which the Separation Date occurs that you have COBRA coverage in effect under the Company's group health plan, reimbursement for the difference between the monthly COBRA premium paid by you for yourself and your eligible dependents for such COBRA coverage and the monthly premium amount paid by you under the Company's group health plan immediately prior to the Separation Date (the "Benefit Continuation") (the Severance and the Benefit Continuation are collectively referenced as the "Severance Benefits"). The Severance will be paid in substantially equal installment payments over the one-year period following the Separation Date, payable in accordance with the Company's normal payroll practices, but no less frequently than monthly, which payments in the aggregate are equal to the Severance and which shall begin on the first payroll date on or immediately following the 31st day following the Separation Date. The Benefit Continuation reimbursement will be paid to you by the last day of the month immediately following the month in which you timely remit the premium payment. By signing this Agreement, you acknowledge and agree that the Equity Award Acceleration and the Severance Benefits are conditioned on your signing and not revoking the valid release of claims against the Company set forth in Paragraph 6, that the Equity Award Acceleration and Severance Benefits exceed anything of value to which are entitled from the Company, and that you will not seek anything further from any of the Releasees (defined below). You further agree and confirm that your resignation is not a "Qualified Termination" under the Wingstop Inc. Executive Severance Plan, as amended and restated, effective February 26, 2019 ("Severance Plan") and that you are not entitled to additional compensation, benefits or remuneration of any nature under the Severance Plan or otherwise.

Releases; Representations; Covenant Not to Sue

6. You, for yourself and successors, assigns, executors and administrators, now and forever hereby release and discharge the Company, together with its respective past and present parents, subsidiaries, and affiliates, together with each of their officers, directors, stockholders, partners, employees, agents, representatives, attorneys (in each case, individually and in their official capacities) and employee benefit plans (and such plans' fiduciaries, agents, administrators and insurers, individually and in their official capacities), and each of their subsidiaries, affiliates, estates, predecessors, successors, and assigns (collectively, the "Releasees") from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected (collectively, "Claims") which you or your executors, administrators, successors or assigns ever had, now have or may hereafter claim to have by reason of any matter, cause or thing whatsoever: (a) arising from the beginning of time up to the date you sign this Agreement including, but not limited to, any Claims (i) relating in any way to your hiring, employment relationship with, or separation from, the Company or any of the Releasees or (ii) arising under any federal, local or state statute or regulation, including, without limitation state wage and hour laws (to the extent waivable), federal and state whistleblower laws, the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Lilly Ledbetter Fair Pay Act of 2009, the Equal Pay Act, the Americans with Disabilities Act and ADA Amendments Act of 2008, the Family and Medical Leave Act, the Employee Retirement Income Security Act (excluding COBRA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Occupational Safety and Health Act, the Sarbanes-Oxley Act of 2002, the False Claims Act, the Texas Labor Code, including, without limitation, the Texas Commission on Human Rights Act and the anti-retaliation provisions of the Texas

Workers' Compensation Act, as each may be amended from time to time, any claim or cause of action you may have under any federal or state immigration statute, including without limitation the Immigration & Nationality Act, the Immigration Reform & Control Act and related regulations, and/or any other applicable local, state or federal law, each as amended; (b) relating to your resignation or the termination of your employment relationship with the Company or any of the Releasees; (c) relating to wrongful employment termination or constructive discharge; or (d) arising under or relating to any policy, contract, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of the Releasees and you. This releases all Claims including those of which you are not aware and those not mentioned in this Agreement. You specifically release any and all Claims arising out of your employment with the Company and/or any of its affiliates or termination therefrom, including, without limitation, any and all claims to monetary recovery to which you might be entitled in connection with any potential class action claims that may be filed on behalf of any purported class to which you are a member as a result of your employment with the Company and/or any of its affiliates.

7. You expressly acknowledge and agree that, by entering into this Agreement, you are releasing and waiving any and all rights or Claims, including claims under the ADEA, which have arisen on or before the date of your execution of this Agreement.

8. Notwithstanding the foregoing, nothing contained in this Agreement shall in any way release or discharge any Claims you may have (1) for payments or benefits set forth in this Agreement, (2) for indemnification under the charter, by-laws, certificate of incorporation or other governing documents of the Company, insurance policies of or pertaining to the Company, or applicable law, (3) for vested pension or retirement benefits (including, without limitation, 401(k)), or (4) for any other Claims that cannot be waived under applicable law.

9. You acknowledge and agree that, except as otherwise expressly provided in this Agreement: (a) the Company has fully satisfied any and all obligations whatsoever owed to you arising out of your employment with the Company, and that no further payments or benefits are owed to you by the Company or any of the Releasees; and (b) you have knowingly relinquished, waived and forever released any and all rights to any personal recovery in any action or proceeding that may be commenced on your behalf arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for backpay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees.

10. You hereby represent and warrant that (a) you have not filed, caused or permitted to be filed any pending Claims against any of the Releasees, nor have you agreed to do the foregoing, (b) you have not assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Releasees that has been released in this Agreement, and (c) you have not directly or indirectly assisted any third party in filing, causing or assisting to be filed, any Claim against any of the Releasees. Except as set forth in Paragraphs 10, 11 and 13 below, you covenant and agree that you shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by you or any third party of a proceeding or Claim against any of the Releasees.

11. You and the Company acknowledge and agree that this Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC"), the

Securities and Exchange Commission ("SEC"), the Department of Justice ("DOJ") or any similar federal or state agency to enforce applicable laws. You and the Company acknowledge and agree that nothing in this Agreement shall affect any eligibility that you may have to receive a whistleblower award or bounty for information provided to the SEC or any other government agency or official, and further acknowledge and agree that this Agreement shall not be used to justify interfering with your protected right to file a charge, make disclosures or participate in an investigation or proceeding conducted by the EEOC, SEC, DOJ or similar federal or state agency but, to the fullest extent permissible under applicable law, you hereby waive any and all rights to recover under, or by virtue of, any such investigation, hearing or proceeding. Nothing in this Agreement shall affect or be used to interfere with your protected right to test in any court, under the Older Workers' Benefit Protection Act, or like statute or regulation, the validity of the waiver of rights under the ADEA set forth in this Agreement.

Confidentiality

12. You acknowledge and agree that during your employment with the Company you have developed, received and had access to confidential communications. You also acknowledge and agree that you are bound and will abide by your Executive Severance Plan Participation Agreement effective as of January 2, 2019 (the "Participation Agreement"), a copy of which is attached as Exhibit X, including, without limitation, the restrictive covenants set forth in Article I of such Participation Agreement.

13. You agree that you will not disclose this Agreement or its terms to any person, except (a) to your immediate family, provided that prior to such disclosure, you inform your immediate family that they are also bound by confidentiality and you shall be responsible for any such disclosure by your immediate family; (b) as may be required for obtaining legal or tax advice provided that prior to such disclosure you inform your legal or tax advisor that they are bound by confidentiality and you shall be responsible for any such disclosure by your legal or tax advisor; (c) for the filing of income tax returns; (d) as may be required by law, provided that, except disclosures permitted in Paragraphs 10, 11 and 13, you shall promptly notify the Company prior to making any disclosure required by law so that the Company may seek a protective order or other appropriate remedy; or (e) in any proceeding to enforce this Agreement.

14. Nothing in this Agreement or in the Participation Agreement shall prevent you from providing truthful and accurate information to any government agency, internal regulating body or as otherwise may be required by applicable law.

Return of Company Property

15. On or before the Separation Date, you will return all property in your possession, custody or control that belongs to the Company, including without limitation, keys, credit cards, computers, phone cards and other physical property of the Company, and any of the Company's documents, reports, files, memorandum, records, software and other media, whether kept in paper or electronic format, and neither you nor anyone acting on your behalf shall maintain copies, duplicates, reproductions or excerpts of any such property.

Cooperation

16. You agree to provide assistance to the Company in connection with the transition of your responsibilities to others, except that you may not bind the Company or its affiliates to any legal obligation without written approval, and you agree to cooperate fully with the Company in connection with any government investigations, civil suits, or regulatory matters related to, in any way, issues about which you have knowledge or were involved when employed by the Company.

Voluntary Waiver; Consultation with Counsel

17. You understand and agree that the Company is under no obligation to provide the Equity Award Acceleration or Severance Benefits provided in Paragraphs 4 and 5 of this Agreement absent your consent to the terms of this Agreement, and that you are under no obligation to consent to this Agreement.

18. You acknowledge and agree that (a) you have carefully read and fully understand all of the provisions of this Agreement, and (b) you are entering into this Agreement knowingly, freely and voluntarily in exchange for good and valuable consideration.

19. You have up to twenty-one (21) calendar days from the date you received this Agreement to consider and execute this Agreement ("Consideration Period"). Any revisions to the Agreement will not restart this Consideration Period. Once you have signed this Agreement, you will have seven (7) additional calendar days from the date of execution to revoke your consent to this Agreement. Any such revocation shall be made in writing so as to be received by the Company, prior to the eighth (8th) calendar day following your execution of this Agreement. If no such revocation occurs, this Agreement shall become effective on the eighth (8th) calendar day following your execution of this Agreement (the "Effective Date"). If you revoke your consent or you do not sign this Agreement on the Separation Date, this Agreement shall be null and void, and the Company shall not be obligated to provide you with the Equity Award Acceleration set forth in Paragraph 4 or the Severance Benefits set forth in Paragraph 5 of this Agreement.

20. You are hereby advised and encouraged by the Company to consult with your own independent counsel before signing this Agreement.

Governing Law; Dispute Resolution

21. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without reference to its choice of law rules.

22. No waiver by either party of any breach by the other party of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any other provision or condition at the time or at any prior or subsequent time. This Agreement and the provisions contained in it shall not be construed or interpreted for or against either party because that party drafted or caused that party's legal representative to draft any of its provisions.

23. Any claim or controversy arising out of or relating to this Agreement, your employment with or resignation from the Company, or arising out of any other transaction or occurrence with the Releasees, shall be submitted to final and binding arbitration before a single arbitrator with the American Arbitration Association in Dallas County, Texas.

No Admission of Wrongdoing

24. Nothing contained in this Agreement shall be deemed to constitute an admission or evidence of any wrongdoing or liability by you or by the Company or any of the other Releasees.

Enforceability

25. If any one or more of the provisions of this Agreement, including the Exhibits hereto, are held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder hereof will not in any way be affected or impaired thereby and any such provision or provisions will be enforced to the fullest extent permitted by law.

Successors and Assigns

26. This Agreement shall inure to the benefit of and be binding upon the Company and any successor organization that shall succeed to the Company by merger or consolidation or operation of law, or by acquisition of assets of the Company. This Agreement is personal to you and may not be assigned by you.

Entire Agreement

27. The terms described in this Agreement, including in the Exhibits hereto, set forth the entire agreement and understanding of the parties and supersede all prior agreements, arrangements and understandings, written or oral, regarding the subject matter of this Agreement. You expressly agree that this Agreement supersedes Sections 1-5 of the Employment Agreement, but that you are still bound by and will comply with Section 6 of the Employment Agreement and Article I of the Participation Agreement. You acknowledge and agree that you have not relied, and are not relying, on any prior oral or written statements or representations by the Company or any of the Releasees in entering into this Agreement, and you expressly disclaim any reliance on any prior oral or written statements or representations in entering into this Agreement. Therefore, you understand that you are precluded from bringing any fraud or similar claim against the Company or any of the Releasees associated with any such statements or representations. This Agreement may not be altered or modified other than in a writing signed by you and an authorized representative of the Company.

* * *

Please indicate your agreement to the foregoing terms by signing and dating the Agreement on the Separation Date in the space provided below. If you decide to revoke your consent to the Agreement, it must be in writing and be received by the Company before the eighth (8^{th}) day after execution of this Agreement.

Very truly yours,

Wingstop Inc.

/s/ Rebecca Minor

Rebecca Minor, SVP/GC

January 14, 2020

Date

AGREED AND ACCEPTED:

/s/ Lawrence Kruguer

Lawrence Kruguer

January 14, 2020

Date

Exhibit 21.1

List of Subsidiaries of
Wingstop Inc.

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

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Wingstop Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-231353, 333-205143) on Form S-8 and registration statements (No. 333-212393) on Form S-3 of Wingstop Inc. of our reports dated February 19, 2020, with respect to the consolidated balance sheet of Wingstop Inc. as of December 28, 2019, the related consolidated statement of operations, stockholders' deficit, and cash flows for the year ended December 28, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of December 28, 2019, which reports appear in the December 28, 2019 annual report on Form 10-K of Wingstop Inc. Our report refers to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended.

/s/ KPMG LLP

Dallas, Texas

February 19, 2020

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

(1) Registration Statement on Form S-8 (No. 333-231353) pertaining to the Wingstop Inc. Employee Stock Purchase Plan, and
(2) Registration Statement on Form S-8 (No. 333-205143) pertaining to the Wingstop Inc. 2015 Omnibus Incentive Compensation Plan and Wing Stop Holding Corporation 2010 Stock Option Plan

of our report dated February 27, 2019, with respect to the consolidated financial statements for the year ended December 29, 2018 of Wingstop Inc. included in its Annual Report (Form 10-K) for the year ended December 28, 2019, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

February 19, 2020

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 19, 2020
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 19, 2020
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 on Form 10-K for the period ended December 28, 2019 of Wingstop Inc. (the “Company”), 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; 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 19, 2020

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 on Form 10-K for the period ended December 28, 2019 of Wingstop Inc. (the “Company”), 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; 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 19, 2020

By: /s/ Michael J. Skipworth

Chief Financial Officer

(Principal Financial and Accounting Officer)