



Wingstop (WING)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	\$224	5 Year CAGR Estimate:	8.9%	Market Cap:	\$6.73B
Fair Value Price:	\$132	5 Year Growth Estimate:	20.3%	Ex-Dividend Date:	03/07/25
% Fair Value:	170%	5 Year Valuation Multiple Estimate:	-10.0%	Dividend Payment Date:	03/28/25
Dividend Yield:	0.5%	5 Year Price Target	\$333	Years Of Dividend Growth:	7
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Wingstop Inc. (WING) is headquartered in Addison, Texas and franchises and operates restaurants under the Wingstop brand. Established in 1994, its locations serve classic wings, boneless wings, tenders, and chicken sandwiches, all hand-sauced and tossed in various flavors. The menu also includes cooked-to-order fries and hand-cut carrots and celery.

On February 19, 2025, Wingstop Inc. reported its financial performance for the fourth quarter of 2024. The company achieved a 15.8% increase in unit growth, adding a record 349 net new restaurants during the year, bringing the total to 2,308 locations worldwide. Domestic same-store sales grew by 16.7% in the quarter, contributing to a 14.6% increase for the full year, primarily driven by transaction growth. System-wide sales reached \$1.1 billion for the quarter, a 20.5% increase compared to the same period last year, and totaled \$3.9 billion for the full year, reflecting a 21.1% year-over-year growth. Digital sales accounted for 65.8% of system-wide sales in the quarter, underscoring Wingstop's strong digital presence. Total revenue for the quarter was \$161.8 million, up from \$127.1 million in the prior year's fourth quarter. Net income increased to \$26.4 million, or \$0.88 per diluted share, compared to \$18.8 million, or \$0.64 per diluted share, in the same quarter last year. Adjusted EBITDA rose to \$46.7 million, a 19.5% increase from the prior year's quarter. For the full year, net income was \$96.6 million, or \$3.22 per diluted share, up from \$70.2 million, or \$2.35 per diluted share, in the previous year. Adjusted EBITDA for the year reached \$175.3 million, reflecting a 19.7% increase year-over-year. Management expressed optimism about future growth prospects, citing strong unit economics and a robust development pipeline, aiming to scale Wingstop to more than 7,000 restaurants globally.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.43	\$0.48	\$0.61	\$0.60	\$0.54	\$0.79	\$1.16	\$1.51	\$2.08	\$3.75	\$3.77	\$9.50
DPS	-	-	\$0.14	\$0.32	\$0.40	\$0.50	\$0.62	\$0.72	\$0.82	\$0.98	\$1.08	\$3.25
Shares	28.6	28.9	29.1	29.3	29.5	29.7	29.8	29.9	29.3	28.7	28.7	28.0

We expect Wingstop to grow its earnings per share at a rapid 20.3% CAGR through 2030. This will be fueled by a combination of share repurchases, accelerated store count expansion in both U.S. and international markets, improvements in its digital and marketing capabilities, further menu diversification to attract a broader customer base, and the optimization of its franchise model.

Key growth drivers include increased brand awareness, menu innovation, delivery channel expansion, and a major digital transformation. The launch of the proprietary tech stack, MyWingstop, has significantly enhanced customer personalization and operational efficiency, with a 10% improvement in order processing times and a 35% year-over-year increase in the first-party customer database. International growth is accelerating, with Wingstop opening its first restaurants in Paris and new markets in the Gulf Coast and Australia. The company now estimates over 750 restaurant opportunities across these markets. Domestically, the strong pipeline of brand partners, who opened 95% of new stores, demonstrates franchisee confidence in the brand.

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That said, maintaining its breakneck growth pace will not come without challenges, as it will likely have to deal with growing competition in the highly competitive fast-casual dining sector and the company could also face supply chain, commodity, economic, and execution challenges during that period that could put a damper on its results.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2029
Avg. P/E	13.7	14.8	52.1	107.8	99.3	108.4	109.0	65.7	68.2	61.0	59.4	35.0
Avg. Yld.	-	-	0.4%	0.5%	0.7%	0.6%	0.5%	0.7%	0.6%	0.4%	0.5%	1.0%

Wingstop currently trades at a lofty 59.4x price to earnings ratio. That said, it has enjoyed even higher P/E ratios in the recent past due to its strong growth rate. We expect growth to moderate in the coming years and therefore so will its P/E ratio. As a result, we expect the company’s P/E ratio to be around 35x in 2030, as it will still be putting up strong growth numbers, but not as much as it has been enjoying in its recent past.

Safety, Quality, Competitive Advantage, & Recession Resiliency

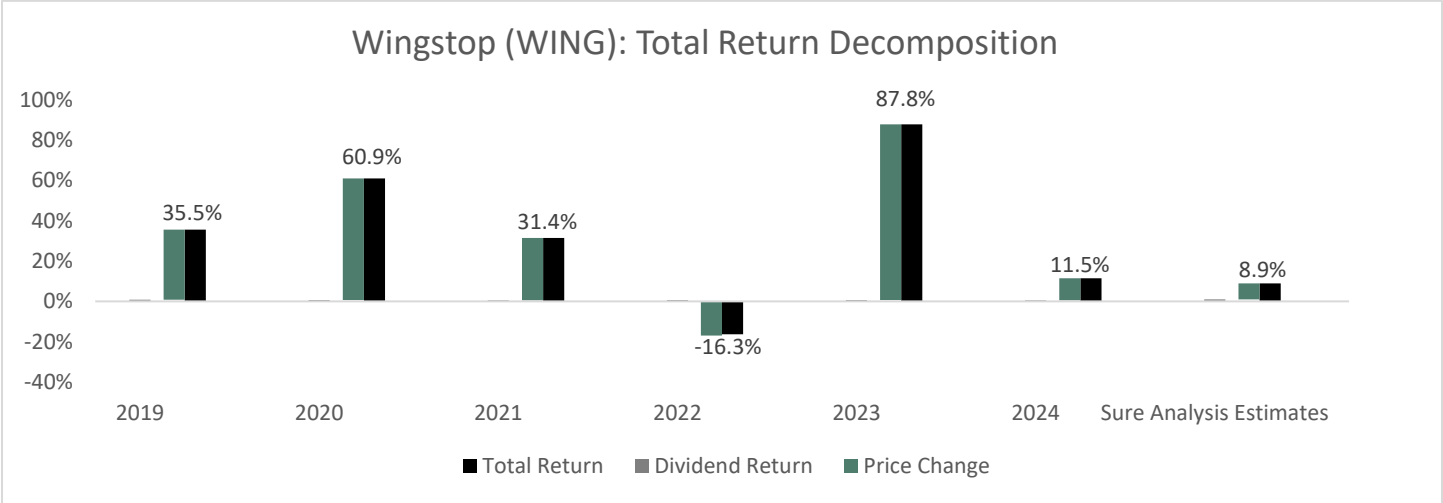
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	23%	53%	74%	63%	53%	48%	39%	26%	29%	34%

Wingstop's competitive advantage is anchored in its highly efficient, asset-light franchise model, which has facilitated rapid expansion with minimal capital expenditure. This model boasts best-in-class unit economics, enabling franchisees to achieve strong returns on investment. Additionally, Wingstop's focus on a simple, chicken-centric menu allows for streamlined operations and consistent quality across locations. The company's strategic marketing initiatives and digital platforms have further enhanced brand recognition and customer engagement. Wingstop was privately held during the Great Recession (2007-2009), so it is uncertain how the company did during that period, but the fast-casual dining sector generally did quite well during that period given the relative affordability of the food relative to more expensive dining alternatives. Additionally, Wingstop did pretty well during the COVID-19 outbreak, as it continued to grow its earnings per share and dividend per share through the period.

Final Thoughts & Recommendation

Wingstop has strong growth momentum, but it pays a very low dividend yield and trades at a lofty valuation multiple. As a result, we think the market is fully pricing in its forward growth potential. Hence, we expect 8.9% annualized total returns over the next half decade and rate it a Hold as a result.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	78	103	133	153	200	249	283	358	460	626
Gross Profit	56	64	72	87	99	123	141	171	223	301
Gross Margin	71.5%	62.1%	54.1%	57.1%	49.4%	49.4%	49.9%	47.8%	48.4%	48.1%
SG&A Exp.	33	35	35	45	50	61	63	67	97	117
D&A Exp.	3	3	3	4	5	8	8	11	13	19
Operating Profit	20	27	34	39	43	54	70	93	113	165
Operating Margin	25.3%	25.8%	25.4%	25.2%	21.5%	21.8%	24.9%	26.0%	24.5%	26.3%
Net Profit	10	14	24	22	20	23	43	53	70	109
Net Margin	13.0%	13.3%	18.0%	14.2%	10.3%	9.4%	15.1%	14.8%	15.3%	17.4%
Free Cash Flow	12	20	25	35	16	59	21	52	81	106
Income Tax	6	8	5	5	5	4	16	16	24	38

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	121	112	120	140	166	212	249	424	378	716
Cash & Equivalents	11	4	4	12	13	41	49	184	90	316
Accounts Receivable	3	2	3	4	4	4	5	7	11	16
Inventories	0	0	0	0	0	0	0	0		
Goodwill & Int. Ass.	96	95	95	97	96	98	100	104	108	114
Total Liabilities	130	186	178	365	376	553	559	815	835	1,392
Accounts Payable	1	1	2	3	3	4	5	5	5	7
Long-Term Debt	95	151	133	312	311	471	469	714	712	1,206
Shareholder's Equity	(10)	(75)	(58)	(225)	(209)	(341)	(310)	(391)	(457)	(676)
LTD/E Ratio	(9.82)	(2.02)	(2.28)	(1.39)	(1.48)	(1.38)	(1.52)	(1.83)	(1.56)	(1.79)

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.4%	11.8%	20.7%	16.7%	13.4%	12.3%	18.5%	15.7%	17.5%	19.9%
ROIC	11.9%	17.1%	31.7%	26.8%	21.7%	20.2%	29.5%	21.9%	24.3%	27.7%
Shares Out.	28.6	28.9	29.1	29.3	29.5	29.7	29.8	29.9	29.3	28.7
Revenue/Share	2.80	3.57	4.53	5.18	6.73	8.35	9.43	11.93	15.41	21.30
FCF/Share	0.43	0.68	0.85	1.18	0.54	2.00	0.70	1.75	2.71	3.60

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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