



# Wingstop Inc

## Turning Heat into Earnings

In spite of the restaurant sector experiencing significant declines this year, Wingstop demonstrates strong upside potential, having recorded a record quarter in Q3. With its ongoing push for international expansion and increasing focus on digital channels, the company appears to be moving in the right direction. **We initiate WING with a BUY rating and a one year price target of \$272.**

**Thesis Point 1** Increasing international expansion will drive revenue acceleration. Their vision is to have 4,000 stores internationally; they currently only have 407 open, with 71 of those stores having opened last year. If they continue in the same direction, they will continue to increase their franchise and advertising revenue significantly. The revenue generated from advertising will provide them with more opportunities to reach a wider customer base in many different countries, resulting in more demand for restaurants to be open. Thus, increasing the stock price from the added demand and revenue gained from this.

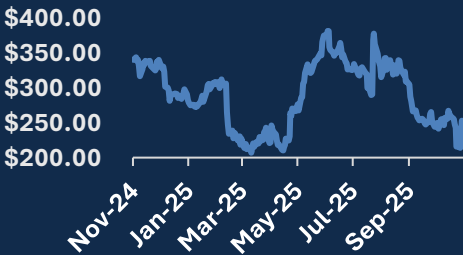
**Thesis Point 2** With the growing presence of the digital realm, consumers are increasingly using mobile apps to place food orders. This is an area Wingstop is capitalizing on by creating a unique and engaging app experience to drive customer sales and retention. The company also offers exclusive in-app deals, allowing customers to save money while encouraging them to purchase additional items. By gradually enhancing the in-app experience over time and promoting it through media channels, Wingstop can increase order volume and ultimately support overall revenue growth.

**Company Overview** Known for its 12 distinct flavors, Wingstop is the world's largest fast-casual chicken wing restaurant chain with revenue in 2024 being \$4.8 billion dollars, which is a rise of 37% percent from 2023. They offer a variety of chicken options to eat, including wings, sandwiches, and tenders, with distinct and seasonal flavors that increase demand at the restaurant. Whether it's a single-person meal or a catering order, they serve customers through carryout, delivery, and dine-in options. Wingstop has been increasing its brand presence and got a deal with the NBA in 2024 to be the official chicken partner of the league. The first restaurant opened in 1994, and it began franchising in 1997, with more than 2,550 locations worldwide. They currently franchise 98% of their stores, making it a franchising-led company. From the revenue earned in 2024, the franchising segment accounts for 81% of the total revenue. Whereas similar chicken-based companies, such as Restaurant Brands International, which owns Popeyes (49%), and KFC, owned by YUM! Brands Inc. is (66%).

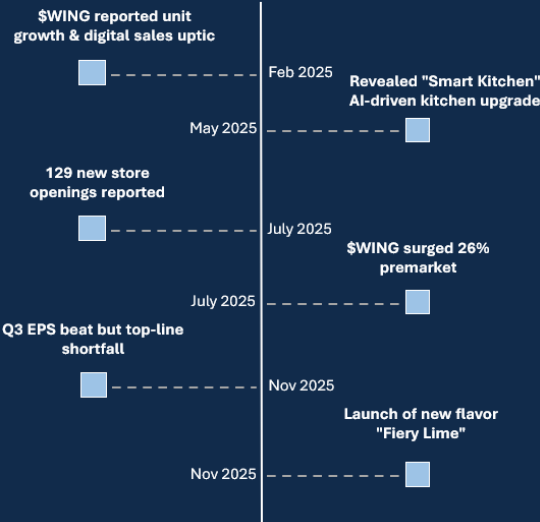


TICKER:	\$WING
RATING:	BUY
PRICE:	\$238.18
PRICE TARGET:	\$272.00
MARKET CAP:	\$6.62bn
52-W RANGE:	\$204.00 - \$388.14
P/E:	38.6x
IMPLIED UPSIDE:	14.01%

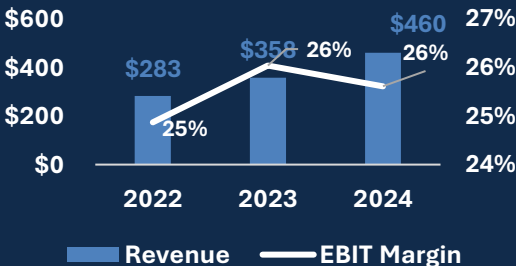
### 1 Year Price History



### Recent Events Timeline



### EBIT Margin with Annual Revenue



**Risk 1** If Wingstop fails to execute its growth strategy, it could hurt the company’s performance. The plan depends on franchisees securing financing, finding locations, and meeting legal requirements to open new restaurants. Challenges in these areas could slow expansion, and without steady new openings or same-store sales growth, revenue and profitability may decline.

**Risk 2** As Wingstop expands into new regions, the company faces the risk of limited brand recognition, which could significantly impact sales. These new locations may need to spend more on advertising and promotions to attract both customers and employees. Additionally, profitability could decline due to reliance on unfamiliar suppliers, higher operating costs, and weaker competitive positioning in these markets.

**Catalysts** Near-term catalyst for Wingstop, following a record quarter, is the potential to sustain momentum through international expansion next year. Opening additional stores abroad would enhance brand recognition, drive revenue growth, and allow Wingstop to compete with larger chains in new markets. Additionally, increased investment in the mobile app will streamline the ordering process, improve customer retention, and boost overall sales while raising awareness of the brand.

Valuation

DCF Analysis (Sum)						
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Stub	0.85	1.85	2.85	3.85	4.85	5.85
Discount Period	0.07	0.65	1.65	2.65	3.65	4.65
Revenue	910	1,292	1,702	2,069	2,301	2,324
Revenue Growth	45%	42%	32%	22%	11%	1%
Restaurants	910	1,292	1,702	2,069	2,301	2,324
EBIT	220	323	430	527	593	604
EBIT Margin	24%	25%	25%	26%	26%	26%
Tax Expense	50	71	98	124	144	151
Effective Tax Rate	23%	22%	23%	24%	24%	25%
NOPAT	170.00	251.98	332.08	403.51	448.87	453.22
D&A	28	41	54	66	74	74
Capex	71	109	148	186	214	223
Changes in NWC	12	19	26	31	35	35
UFCF	115	165	213	253	274	270
PV of FCF	114	155	181	194	190	169

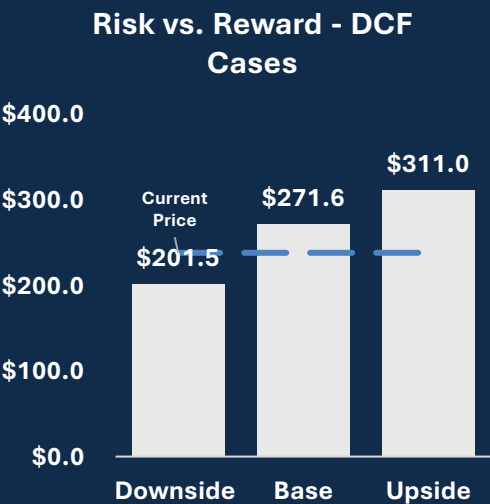
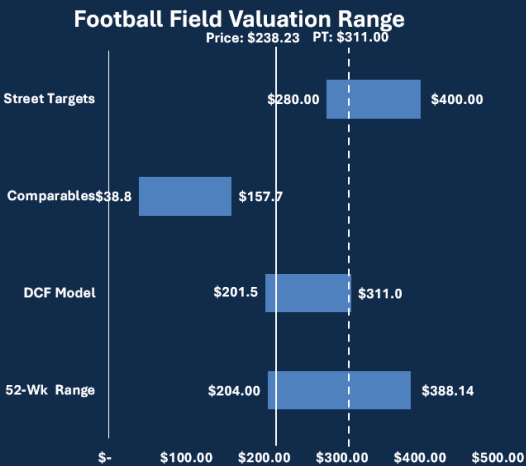
We are basing our model on a 20x EV/EBITDA exit multiple, which, based on comparable companies, is best suited for this analysis. This multiple also reflects Wingstop’s consistent pace of opening new stores each year, which is driving revenue growth. Our calculated CAGR of 38.2% demonstrates that the company is experiencing strong, continuous year-over-year growth. As more stores come online, Wingstop strengthens its capacity to invest in marketing and brand initiatives, which further drives sales and supports overall revenue expansion.

Conclusion

We suggest WING as a buy, despite the current drawdown in the restaurant sector. Wingstop’s sales revenue in Q3 is up 12.3% year-over-year, and there is no sign of this growth slowing. The company has opened 95 new stores internationally so far in 2025, advancing at a pace consistent with its expansion plans and continuing to add more locations.



Terminal Value	
Exit Multiple Method	
2034 EBIT	\$604
EV/EBIT Exit Multiple	20.0x
Terminal Value	\$12,086
PV of Terminal Value	\$7,584
PV of Projection Period	\$1,002
PV of Terminal Value	\$7,584
Implied TEV	\$8,587
(-) Debt	\$1,269
(+) Cash	\$228
Implied Equity Value	\$7,545
Diluted Shares Outstanding	28
Implied Share Price	\$271.55
Upside/Downside	14.0%



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	626	910	1,347	1,835	2,285	38.2%
EBITDA	186	248	407	545	667	37.7%
EBIT	166	220	364	486	594	37.5%
NOPAT	128	170	284	376	454	37.3%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	29.7%	27.3%	30.2%	29.7%	29.2%	29.2%
EBIT Margin	26.6%	24.2%	27.0%	26.5%	26.0%	26.0%
Revenue Growth	36.0%	45.4%	48.0%	36.3%	24.5%	38.0%
EBIT Growth	41.1%	32.3%	65.3%	33.7%	22.2%	38.9%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	75.6x	57.8x	34.2x	26.8x	23.0x	43.5x
EV/Sales	12.2x	8.4x	5.7x	4.2x	3.4x	6.8x
EV/EBITDA	41.2x	30.9x	18.8x	14.1x	11.5x	23.3x
FCF Yield	1.3%	1.7%	2.9%	3.7%	4.3%	2.8%

#### Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Sweetgreen, Inc. (NYSE:SG)	\$887	\$1,057	0.0x	\$686	-\$38
Shake Shack Inc. (NYSE:SHAK)	\$3,708	\$4,244	196.0x	\$1,323	\$156
Chipotle Mexican Grill, Inc. (NYSE:CMG)	\$56,009	\$59,243	37.0x	\$11,578	\$2,335
The Wendy's Company (NasdaqGS:WEN)	\$1,690	\$5,512	9.2x	\$2,225	\$518
WingStop	\$6,989	\$8,030	41.8x	\$670	\$199

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Sweetgreen, Inc. (NYSE:SG)	-27.7x	19.1%	(5.5%)	(14.1%)	5.7%
Shake Shack Inc. (NYSE:SHAK)	27.2x	39.5%	11.8%	3.9%	13.1%
Chipotle Mexican Grill, Inc. (NYSE:CMG)	25.4x	40.2%	20.2%	17.2%	8.6%
The Wendy's Company (NasdaqGS:WEN)	10.6x	35.5%	23.3%	16.8%	1.3%
WingStop	40.3x	48.1%	29.7%	26.2%	22.7%

High	40.33x	48.1%	29.7%	26.2%	22.7%
75th Percentile	27.24x	40.2%	23.3%	17.2%	13.1%
Average	15.17x	36.5%	15.9%	10.0%	10.3%
Median	25.37x	39.5%	0.0%	16.8%	8.6%
25th Percentile	10.64x	35.5%	11.8%	3.9%	5.7%
Low	-27.74x	19.1%	-5.5%	-14.1%	1.3%

#### WingStop

Implied Enterprise Value (25th Percentile)	\$	2,119
Implied Enterprise Value (Median)	\$	5,051
Implied Enterprise Value (75th Percentile)	\$	5,424

Implied Share Price (25th Percentile)	\$	38.78
Implied Share Price (Median)	\$	144.31
Implied Share Price (75th Percentile)	\$	157.73

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.74
Risk Free Rate	4.39%
Cost of Equity	10.02%
Weighted Average Cost of Debt	4.24%
Tax Rate	22.00%
Cost of Debt	0.53%
Total Equity	\$6,618
Total Debt	\$1,041
Equity/Total Capitalization	83.91%
Debt/Total Capitalization	16.09%
WACC	10.55%

**Downside Case:** Our The downside case applies a 20x multiple and 35% revenue growth, resulting in a price of \$201.49.

**Upside Case:** Our upside cases uses a 21x multiple, assuming operational outperformance. Revenue grows by 48% in 2026, supporting the price of \$311.

**Disclosures and Ratings:** Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.