



**Culverhouse Investment
Management Group**

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**Wingstop Inc.
NASDAQ: WING**



Wingstop – Playing Chicken

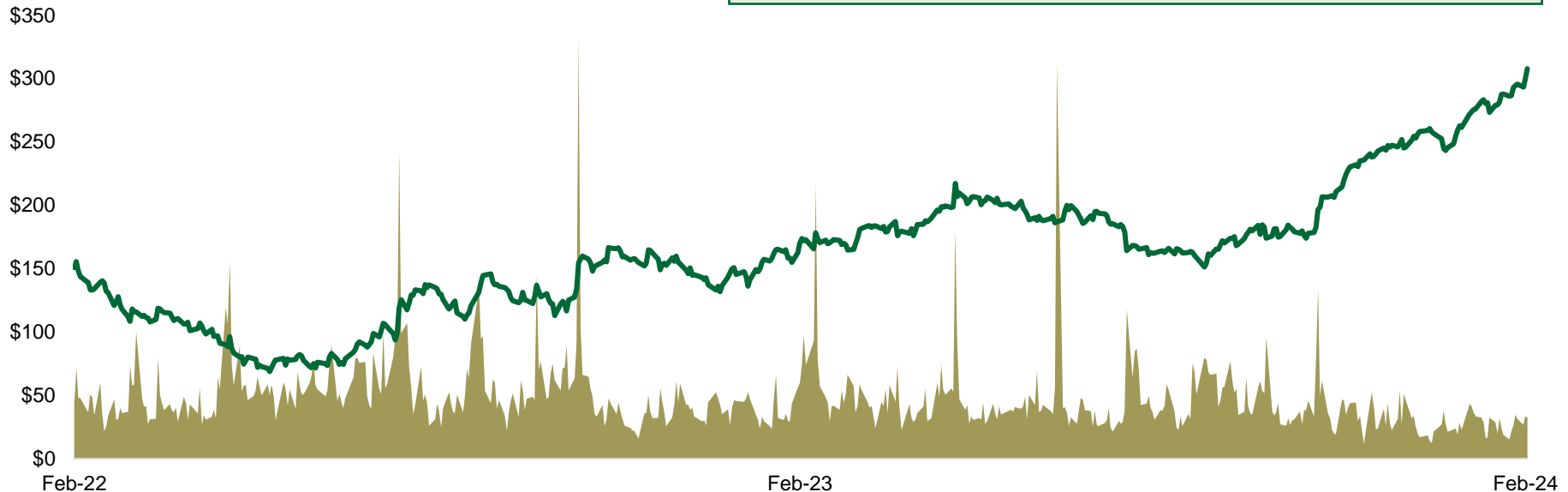


Market Cap	\$9.27B
2/15 Close	\$315.15
Average Volume	232K
52 Week Range	\$150.08 – \$315.46
NTM EV/EBITDA	57.29x
EBITDA Margin	29.6%

- ❑ Recommendation: **SHORT** with a **PT of \$229.70**, representing a downside of 27% from 2/15/24 close

Investment Thesis Introduction

1. WING will fail to hit near-term same-store sales growth (SSSG) targets as sandwich and Uber Eats tailwinds slow and management runs out of equally-effective levers
2. Increased competition in the wing space from competitors and the launch of Buffalo Wild Wings GO is not factored in by the market
3. WING's aggressive international expansion plan will fail to generate expected results in the Korean and Canadian markets
4. Investors' GLP-1 concerns have subsided, but WING's business model makes them more vulnerable than most



(1) Visible Alpha

Wingstop Operates and Franchises a Global Network of Restaurants



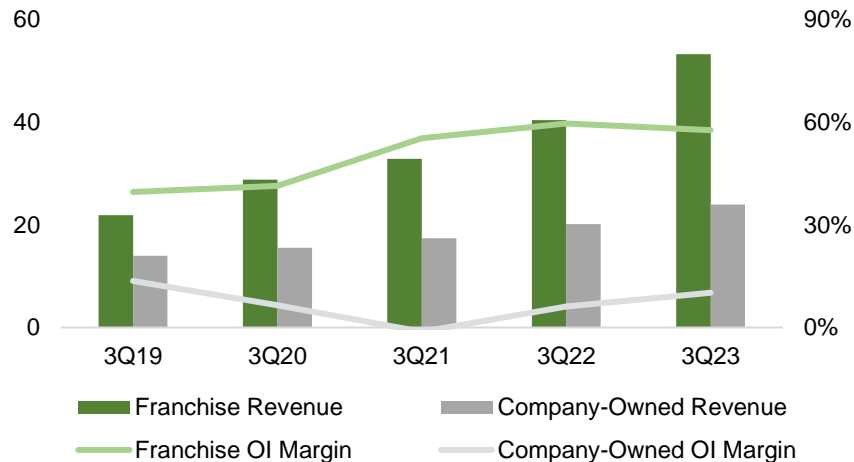
WING's Menu

12 Flavors of Original Wings, Boneless Wings, Chicken Tenders, and the Chicken Sandwich

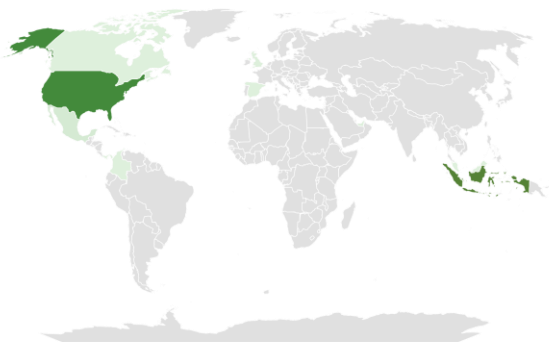


WING's EBIT is Driven by Franchise Fees

Revenue and EBIT Margin Breakdown by Segment (\$M)⁽¹⁾

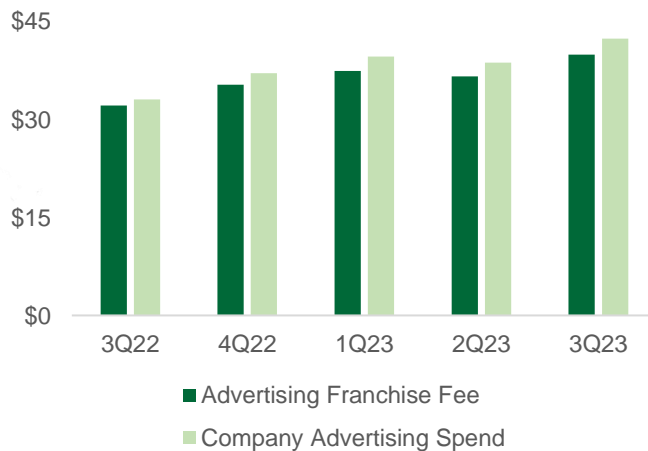


Global Presence



5% of Sales Goes to Advertising

Advertising Fees vs Spend in Millions⁽¹⁾



Asset-Light Franchisor



98% of WING stores are franchised



Small store size averaging 1700 square feet



Low employee presence with average of 4 workers/shift

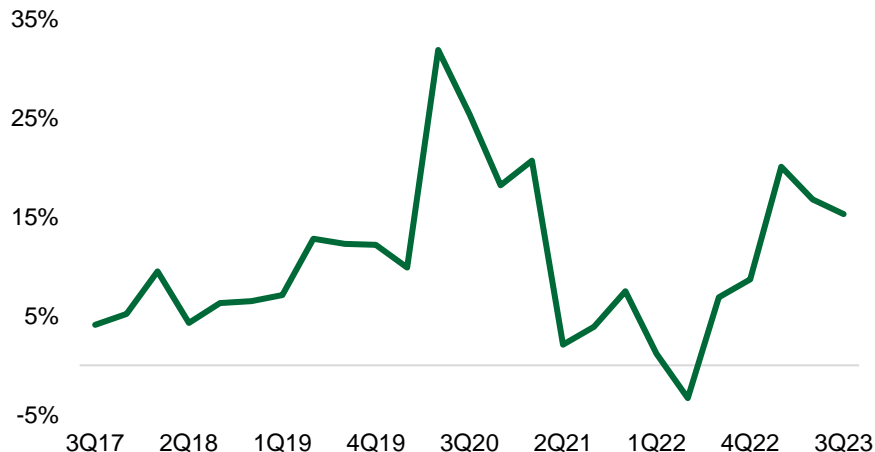
(1) WING Filings



Fast Growing LSR Brand with Lofty Long-Term Store Number Goals

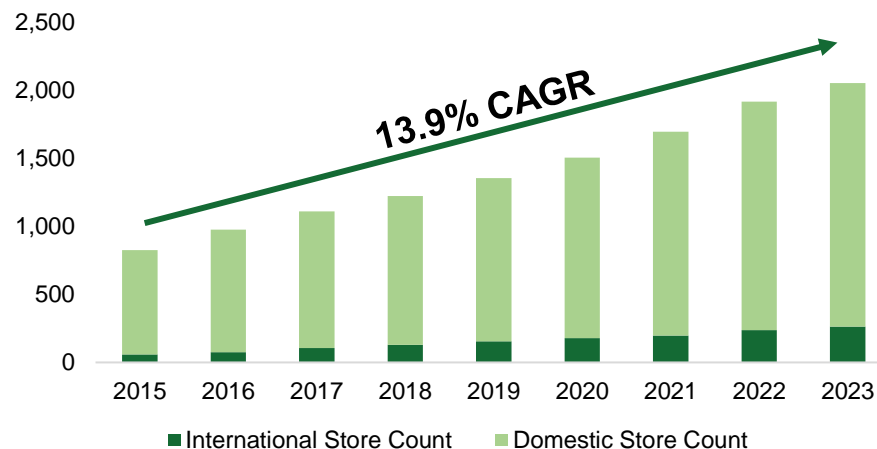
Consistently Growing Same-Store Sales

Domestic Same Store Sales Growth⁽¹⁾



While Growing Store Count

Store Count Over Time⁽¹⁾



Aggressive Store Growth Plan

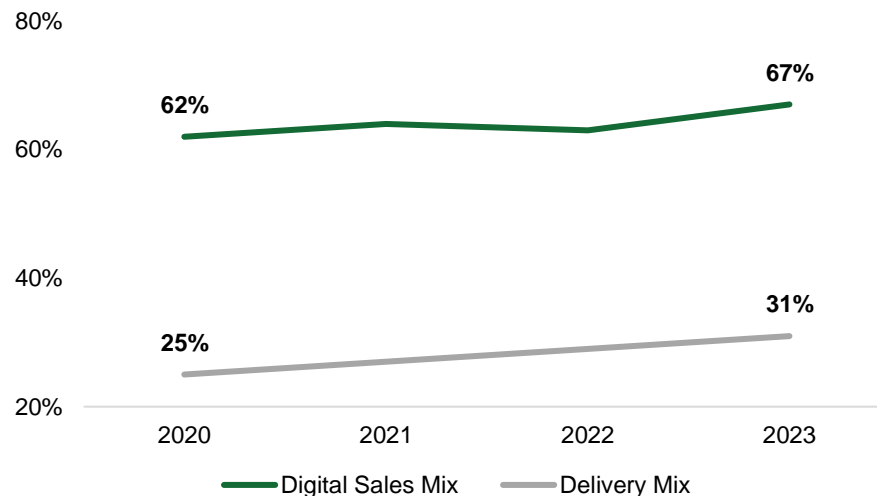
Domestic⁽²⁾

International⁽²⁾



With a Growing Delivery Business

Digital Sales and Delivery Mix Over Time⁽³⁾



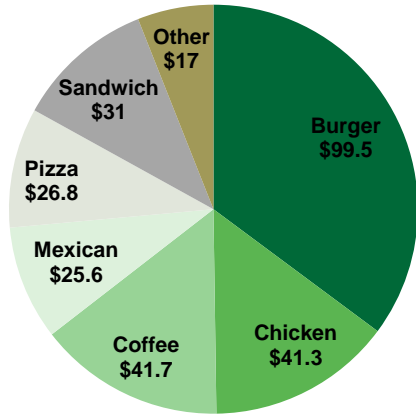
(1) WING Filings (2) WING Investor Day (3) WING Earnings Calls



Booming Industry for Limited-Service Chicken

Darling of the LSR Space

LSR Market Sales (in \$B)⁽¹⁾

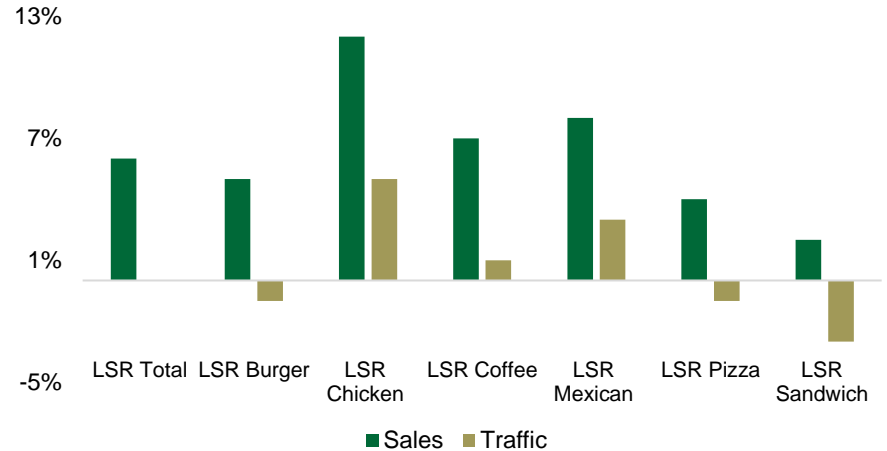


Why LSR Chicken?

- Limited Menu**
- Easy Training/Prep**
- Sauces for Variety**
- Cheaper than Beef**

Chicken has been a Fast-Growing LSR Segment

Five Year CAGR by Restaurant Segment⁽¹⁾



Comps Tear Sheet^(2,3)

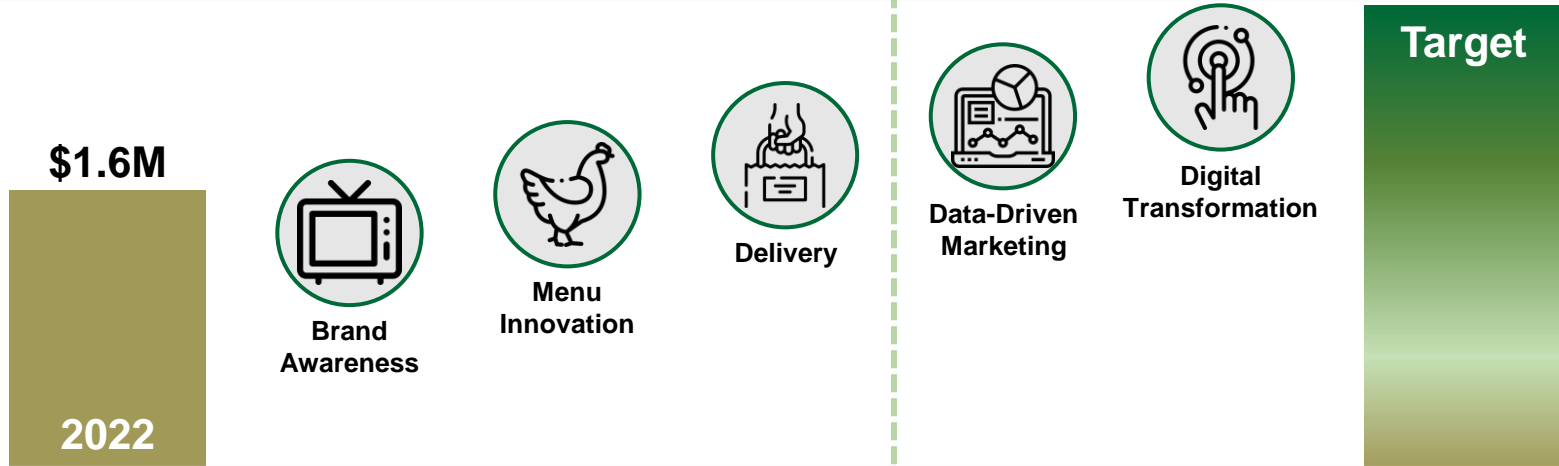
Company	% Franchised	Sales Growth Rate	P/E	EV/Revenue	EV/EBITDA	Gross Margin	Operating Margin	% Royalty Fee	AUV (USD thousands)
WING	97.8%	34.9%	136.9x	17.2x	54.8x	48.4%	29.6%	6.0%	1,750
MCD	94.8%	10.0%	23.8x	9.7x	17.8x	57.1%	53.8%	5.0%	2,944
CMG	-	14.3%	46.5x	6.2x	31.5x	40.7%	19.4%	-	2,200
WEN	94.2%	7.1%	17.9x	3.4x	13.5x	35.5%	23.5%	4.0%	1,725
DPZ	95.7%	(0.4%)	27.7x	4.2x	20.9x	27.1%	19.4%	5.5%	1,328
TXRH	13.7%	14.8%	24.8x	1.8x	16.1x	16.3%	10.9%	4.0%	1,181
SHAK	-*	20.2%	169.8x	2.8x	23.1x	36.4%	8.6%	6.0%	3,780
SBUX	-*	11.5%	22.5x	3.2x	15.4x	27.9%	19.8%	7.0%	1,235
JACK	87.0%	15.3%	12.3x	2.9x	14.1x	29.6%	19.3%	5.0%	1,660

(1) Bank of America (2) Capital IQ (3) Respective Company Filings (*) Licensed Store-Model

SSSG Overview and Managements Plan to Hit AUV Goals

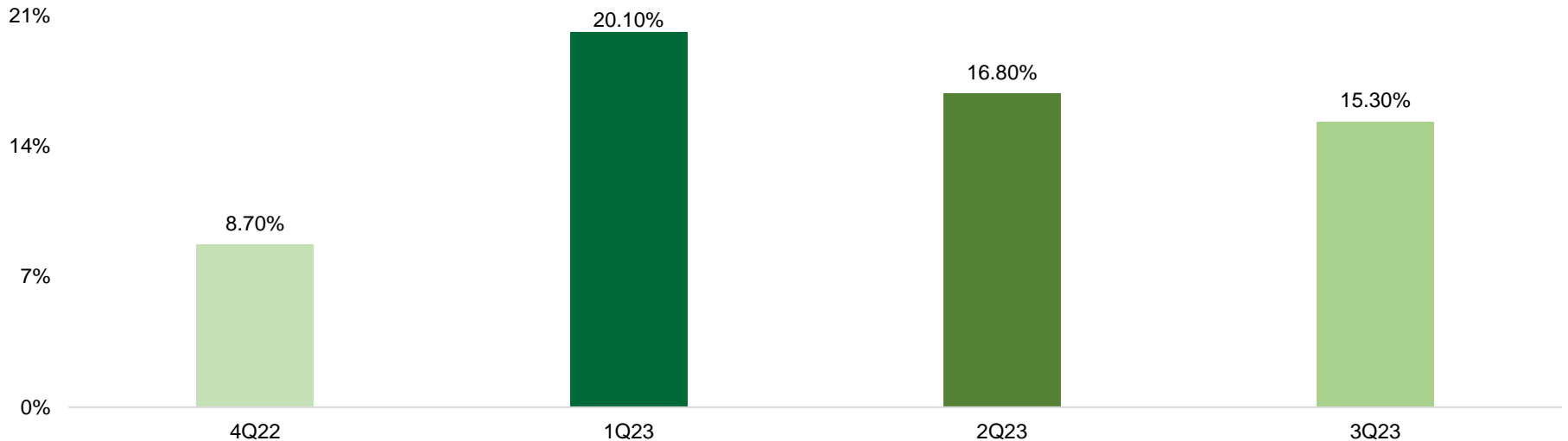


Wingstop's Plan to Reach \$2 Million in Average Unit Volume



Impressive Run for Same-Store Sales Performance

Domestic SSSG⁽¹⁾



(1) WING Filings



One Time Sandwich Launch Made a Huge Impact on SSSG

Sandwich Launch was a Perfect Lever for WING



The launch of the chicken sandwich brought in new customers interested in a cheap way to try Wingstop

This led to a “halo effect” where customers came back later to try Wingstop’s other protein options

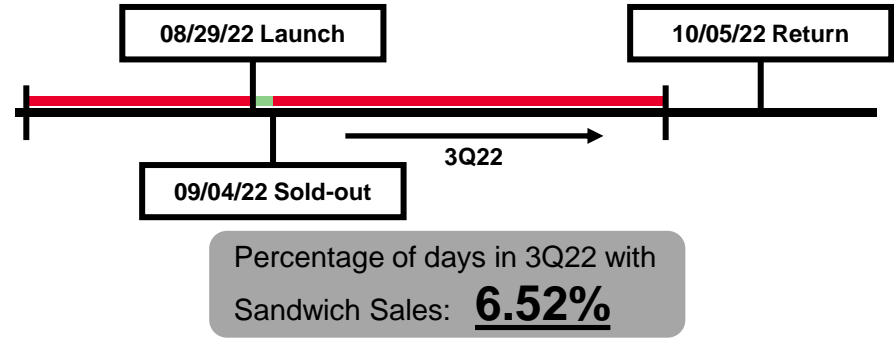


Allowed Wingstop to lower the COGS for its stores and franchisees with “whole bird” pricing

Management Claims to Have Lapped the Launch...

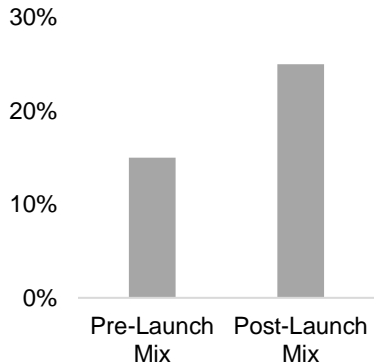
Chicken Sandwich Launch Timeline⁽²⁾

"We believe this was showcased in the third quarter as we lapped the launch of both Uber Eats and our chicken sandwich, delivering 15.3% same-store sales growth." – WING CEO⁽³⁾

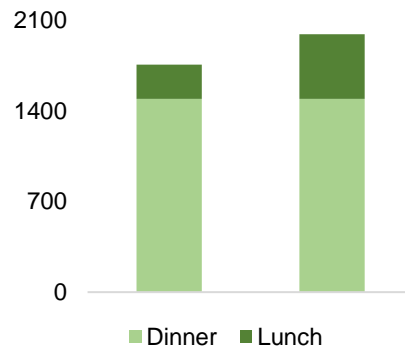


Helped to Make Wingstop a Lunch Destination

Sandwich's Effect on Mix⁽¹⁾

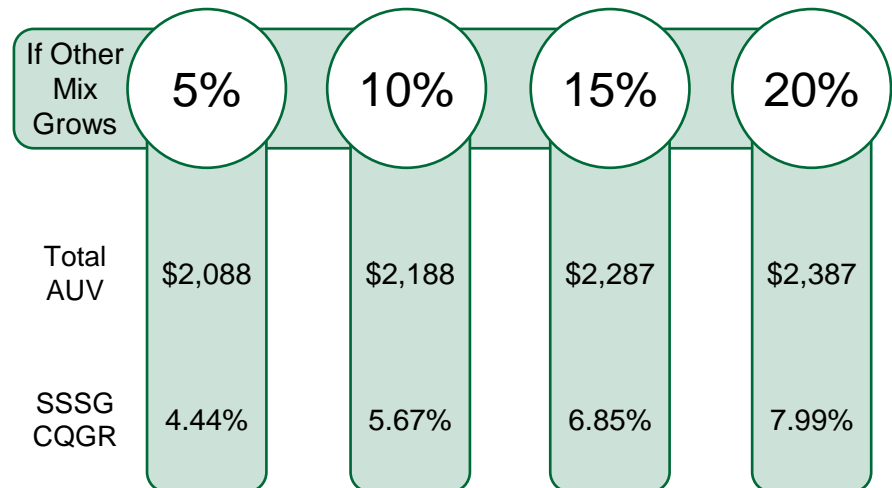


\$234k Increase in AUV



"(We saw) double-digit growth due to menu specials, the introduction of a chicken sandwich, and the new unique flavors." – Wingstop Franchise Owner⁽²⁾

Effect on SSSG with Dinner/Other Expansion

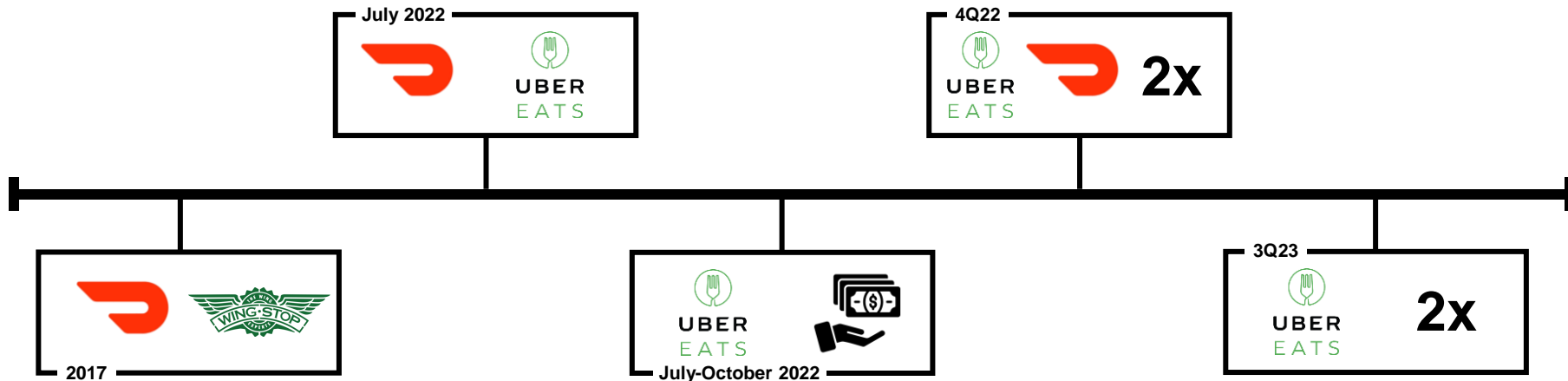


(1) WING Franchise Owner Via Tegus (2) WING 3Q22 Earnings Call (3) WING 3Q23 Earnings Call

Uber Eats Launch Buoyed SSSG More than Investors Realize



Wingstop's Wildly Successful Launch with Uber Eats in 2022 was a Major Tailwind in FY23⁽¹⁾...



The Market does not Factor the Magnitude of the Effect that Uber Eats Launch had on Wingstop's SSSG

Pre-Uber Eats DoorDash sales = 2022 delivery mix*(domestic sales+intl. sales)

Dom. sales = Dom. AUV * # Dom.
 $\$2.59b = \$1.581m * 1639$

Intl. sales = Intl. AUV * # Intl.
 $\$240m = 1.3m * 219$

Pre-Uber Eats DoorDash sales: $\$821m = 29\% * (\$2.59b + \$240m)$

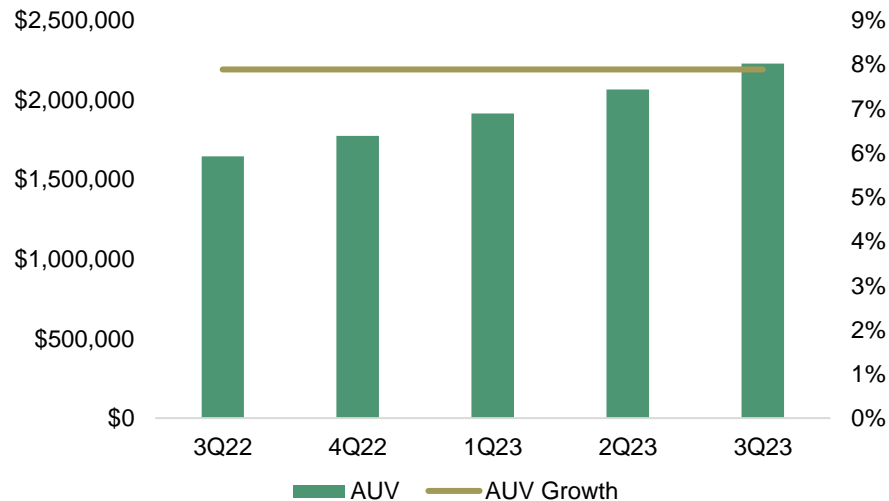
Uber Eats nearly doubled size of delivery = $0.9 * \$821m = \$739m$

Uber Eats market has doubled = $2 * \$739m = \$1.48b$

Effect on store AUV=Increase in sales/current store # = $\$704k = \$1.48b / 2099$

Effect on SSSG = $\$1.52m \rightarrow \$2.23m$ over 5Qs = **7.89% CQGR**

Uber Eats Effect on SSSG⁽²⁾



(1) WING Earnings Calls (2) WING Filings



Running Out of Impactful Levers to Pull in 2024

Tech Stack is not all it is Cracked up to be



The final lever in Wingstop's road to \$2m in AUV is the launch of its tech stack in 2Q24



The tech stack is just Wingstop's plan to move their app from a third-party developer to their own platform



Management touts the effects that AI will have on personalized advertising and how it will increase sales

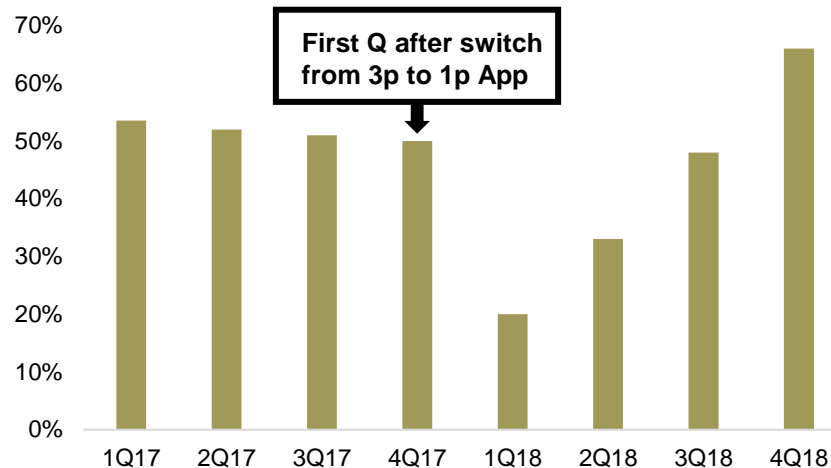


21% of WING orders are placed through the app⁽²⁾

We believe that slightly better advertising on WING's own app will not have a major impact on sales as it only effects a small portion of their customer base

1p App Does Not Necessarily Lead to Major Growth

Chipotle YoY Digital Sales Growth⁽¹⁾



Potential Future Levers Won't Have the Same Impact



Vegan Options



No halo effect + smaller market than sandwich



Delivery Advertising



Smaller impact than launching on a new platform



Loyalty Program



Management says this will not be coming in 2024

(1) Chipotle Filings (2) CIMG Research




New Competition in the Wing Space is not Factored in by the Market

Wing Space is Ripe for Competitors to Enter

12% Sales CAGR for LSR Chicken over the Last Five Years⁽¹⁾

“Why can somebody not come in and do something comparable at a lower cost? Still have no idea why this hasn’t happened” and “If somebody said, “Well, we’re going to come up with like a Wingstop killer” like Jersey Mike’s to Subway, and we’re just going to go right at them. I don’t see any reason why that would not be successful. I have no idea why that has not happened. All of us who are ex-Wingstop people have no idea why that hasn’t happened yet.” Former Global Head of Business Development at Wingstop⁽²⁾









Competition has Picked up in Late 2023

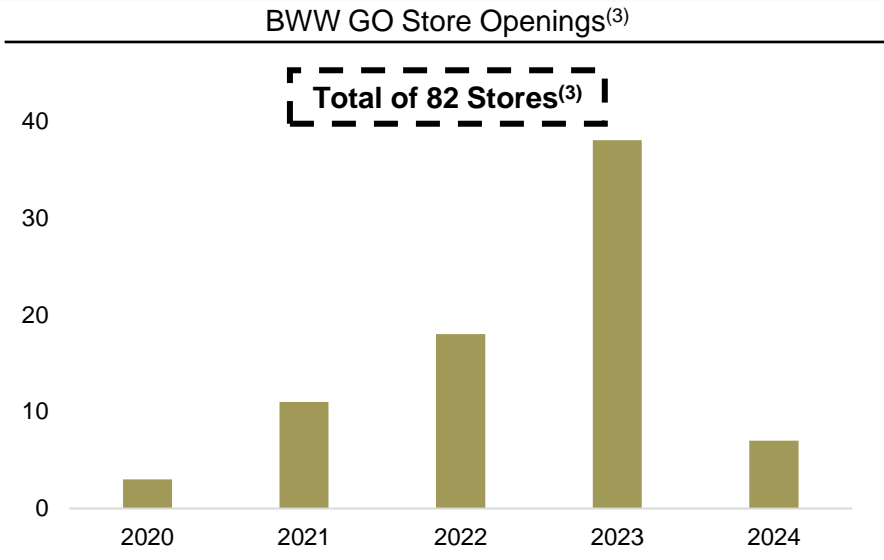
 → Launches wings in the U.S in September 2023

 → Permanently adds wings to menu in November 2023

 → Started opening locations in 2020

The BWW GO Concept is a Major Threat to WING that the Market is Overlooking

		
Store Size	1,000+ sq ft.	1,700 sq ft.
Digitally Focused		
Low Number of Workers		
Leading In-Store Tech		



(1) Bank of America (2) Tegus (3) CIMG Research



Expectations are too High for International Expansion Plan

Investors are Bullish on International Expansion

How Intl. is Reported

WING reports intl. franchised activity (openings, closures, and ending store count) and does not report SSSG or AUV

WING gives updates on the SSSG and investment ratio for individual countries during their biannual investor day

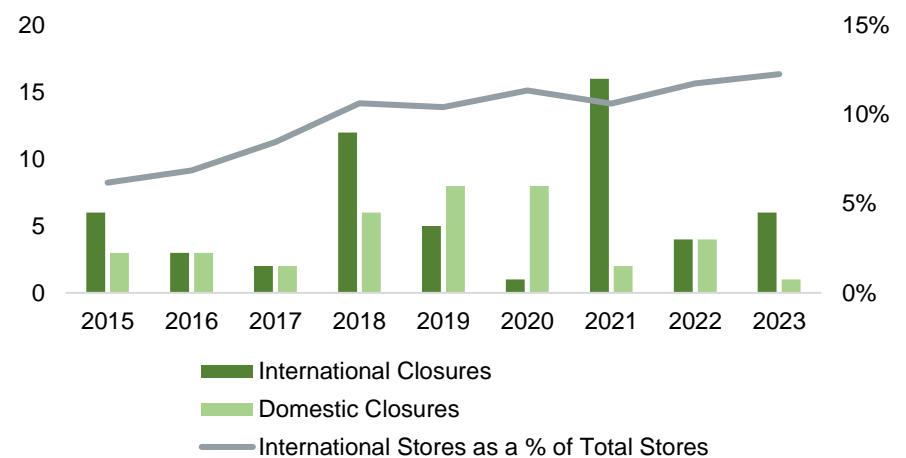
Wing opened stores primarily in South Korea and Canada over 2023

EOY23 Implied Intl. AUV

Domestic AUV ⁽¹⁾ = \$2,106,000
Total AUV ⁽²⁾ = \$2,140,000
of Domestic Stores ¹ = 1,871
of Intl. Stores ¹ = 284
Total Stores = 2,155
Implied Total Sales = \$4,611 (M)
Implied Dom. Sales = \$3,940 (M)
Implied Intl. Sales = \$671 (M)
Implied Intl. AUV = \$2,363,993

High Number of Closures Should Suggest Caution

WING Store Closures⁽³⁾



Management Views the U.K. as the Poster Child for WING's Intl. Expansion Plan – We Believe it is an Outlier



2022 SSSG = 33.1%

Current Store Count = 40

Total Store Goal = 200-250

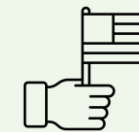
Investment Ratio = 8/1



London has a unique love for fried chicken

8,000 LSR chicken restaurants compared to 7,400 coffee shops⁽⁴⁾

More than half of WING's U.K locations are in London



More than six out of 10 UK adults said they preferred US delicacies to traditional British dishes⁽⁵⁾



One in five Brits tuck into Southern fried chicken every week according to a survey of 1,500 UK adults⁽⁵⁾

(1) Visible Alpha Consensus (2) Bank of America Estimate (3) WING Filings (4) Big Think (5) Wales Online



Locations that Launched in 2023 will Fail to Meet Expectations

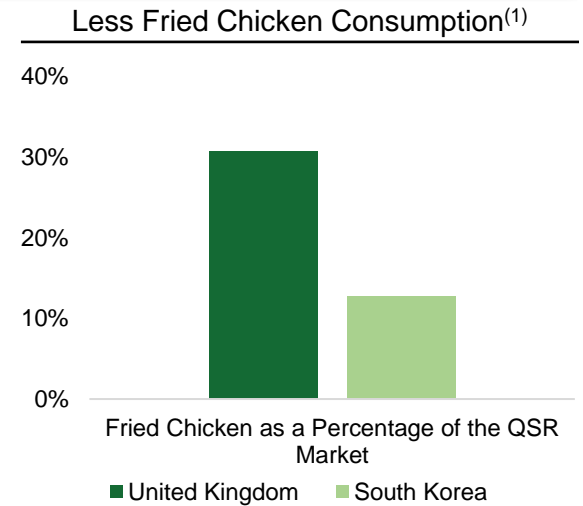
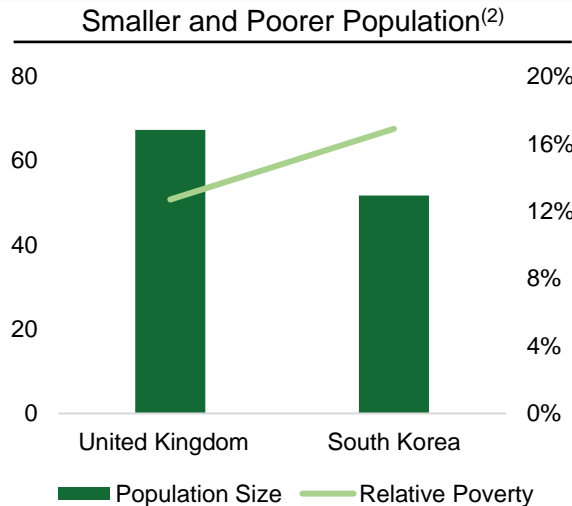
Wingstop's South Korean Launch will not Live up to U.K Standard



Total Store Goal = 200-250

46% of Korean QSR is Traditional Korean Food⁽¹⁾

Traditional Food Culture is Centered on Lengthy Communal Meals



Investors Believe that the Canadian Market will Perform Similarly to the U.S.... We Think Otherwise



Total Store Goal = 150-200

Canadians Eat Less Chicken than their American Peers

Average of 78 lbs. of Chicken Consumed Per Year Compared to 100 lbs. Per Year for Americans⁽³⁾

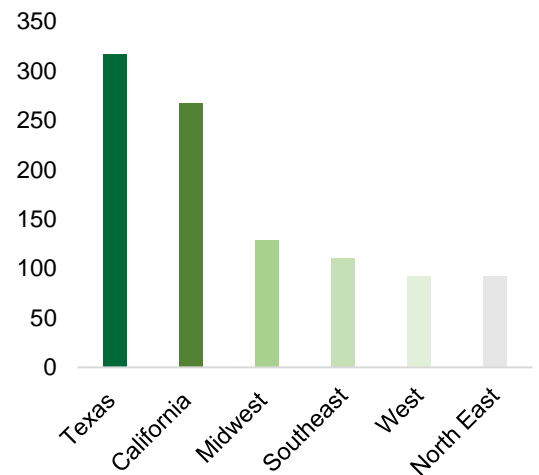
“

“I think that it's going to get harder. Markets that are slam dunks are saturated. Then you start tackling markets like Greater New York City and some of the upper Midwest markets. The Northeast is hard, and New York City is hard. As they go further ahead into less obvious markets, I think it's going to get more and more difficult for them.” – Former Head of Global Development at Wingstop⁽⁴⁾

“In New Jersey there's really no presence of Wingstop”⁽⁵⁾

Average AUV of his stores: **\$1.3 million**

Stores per Region of 20 largest MSAs⁽⁶⁾



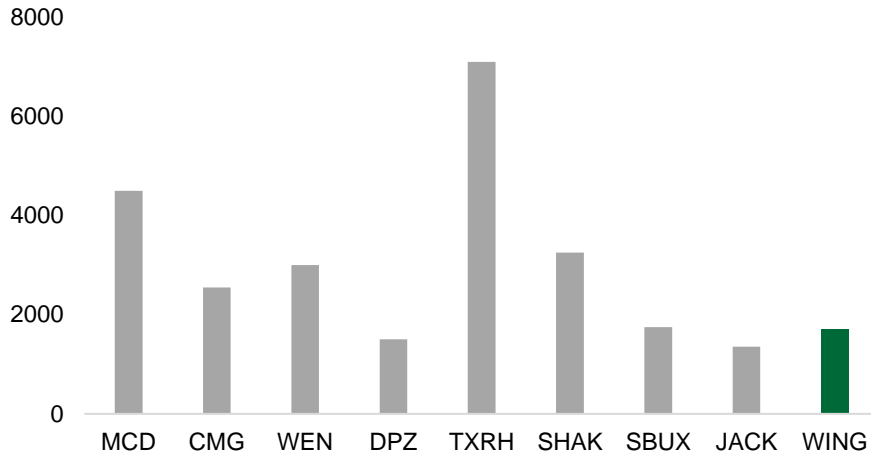
(1) Mordor Intelligence (2) Organization of Economic Cooperation and Development (3) Statista (4) Tegus (5) Franchise Owner of 12 Stores Via Tegus (6) Bank of America



GLP-1s Will Disproportionately Harm a Non-Experiential Provider

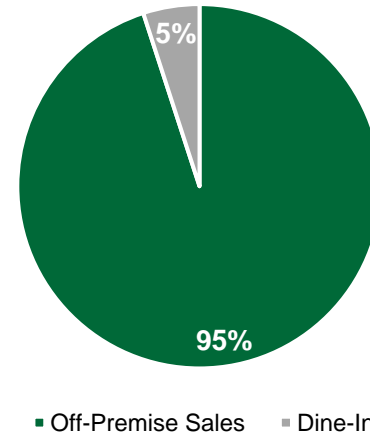
100% Digital Goal Makes WING Susceptible to GLP-1s

WING Average Store Size vs. Comps (Sq. Ft.)⁽¹⁾



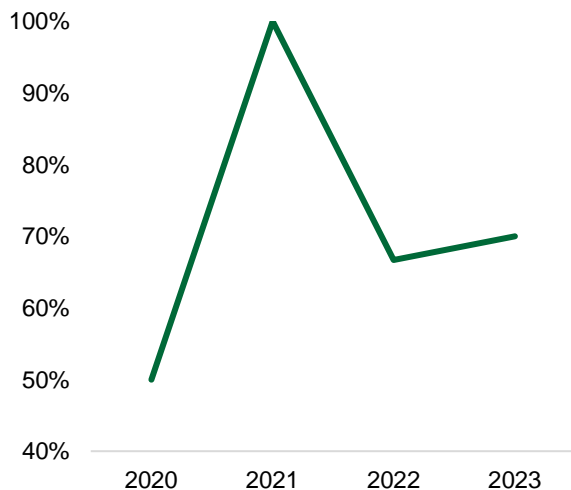
GLP-1s Will Impact Delivery and Carryout Orders More

WING Off-Premise (Takeout/Delivery) vs Dine-In Sales Mix⁽²⁾



2024 Set to be a Big Year for GLP-1s

GLP-1 YoY Growth in Prescriptions



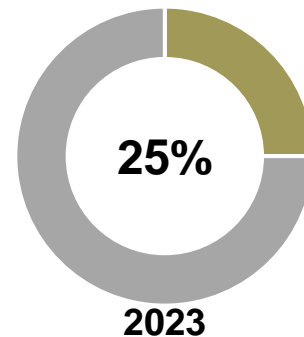
Oral GLP-1s

LLY's oral GLP-1 pill Orforglipron is in phase 3 trials with results likely in 2024

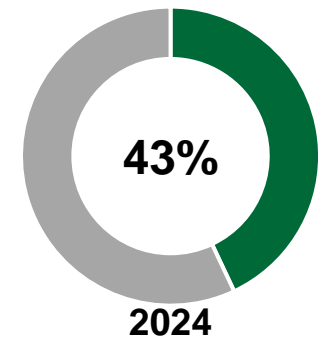
NVO's phase 3 trial for oral GLP-1 pill Rybelsus was successful with plans to file for approval soon

GLP-1 Market Size and Supply Is Only Getting Bigger

U.S. GLP-1 Insurance Coverage⁽⁴⁾ and Supply Set to Increase^(5,6)



NVO's \$16.5B acquisition of drug packaging supplier Catalent will boost supply



LLY set to double supply by end of 2024 compared to end of 2023

(1) Respective Company Filings (2) WING Filings (3) Epic Research (4) Accolade (5) WSJ, (6) LLY 3Q2023 Earnings Call

Valuation: Wing-Stopped



Catalyst Path

FY23 Earnings

February 21, 2024

- **Lower Overall SSSG**
 - Poor remaining levers
 - Store revenue pressures due to tough comps
 - Pressure from increased competition

2024 Investor Day

May 2024

- **Poor International Results**
 - Canada's unrealistic USA comparisons
 - South Korea's population drives lower than expected revenues

Beyond

2024-25

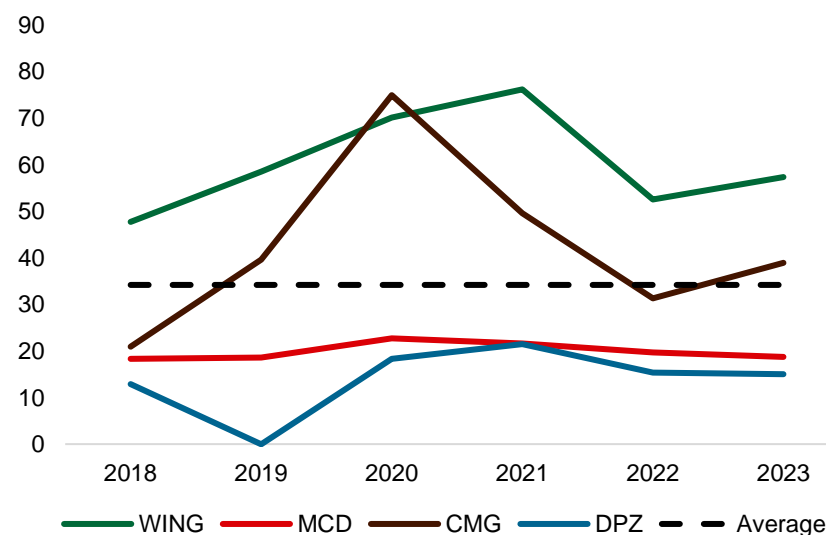
- **Ozempic Threat Looms**
 - Non-experiential provider
 - Growing insurance coverage
 - Increased supply
 - FDA approval for pill form

EBITDA Multiple Valuation

NTM EV/EBITDA Multiple	
NTM EBIT	183,099
NTM D&A	13,821
EBITDA	196,920
EV/EBITDA Multiple	38
Implied Enterprise Value	7,482,950
Less: Debt	711,867
Less: Preferred/Other	-
Plus: Cash	77,983
Implied Equity Value	6,849,066
Diluted Shares Outstanding	29,818
Implied Share Price	229.70
<i>Upside / (Downside)</i>	<i>-27%</i>

Multiple Justification

Comps EV/EBITDA Multiples

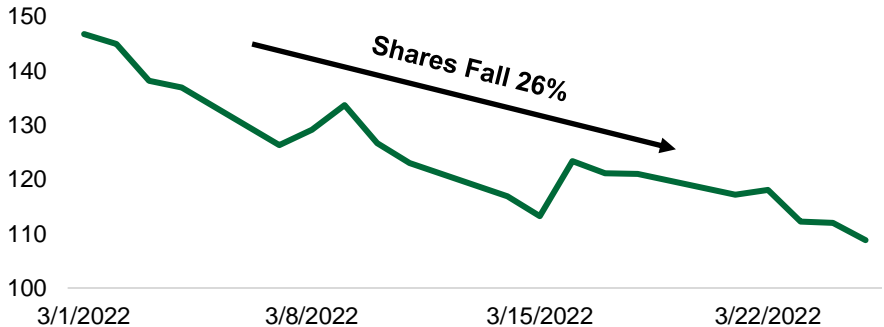




Management – Easy Times are Over

Confidence in WING drops after CEO's Departure

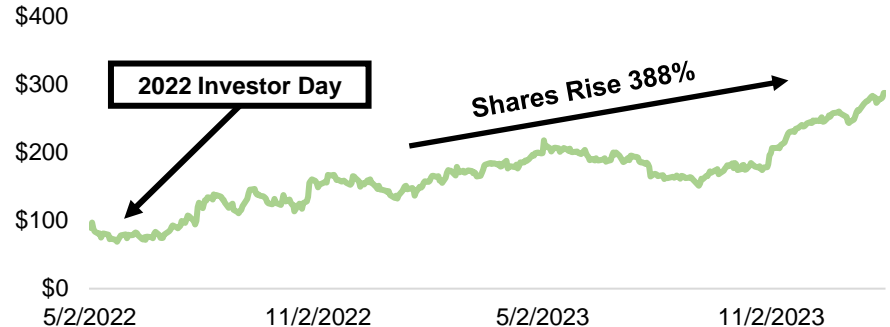
WING Share Price Drop After Morrison's Resignation⁽¹⁾



After a decade of leading Wingstop, veteran and highly regarded CEO Charlie Morrison resigns from Wingstop. Wingstop promotes former CFO, Michael Skipworth, to the CEO role


WING has Executed Morrisons Strategy Well


WING Share Price During Skipworth's Tenure⁽¹⁾




"I've been asked is whether I plan to fundamentally change anything around Wingstop's strategic growth priorities. **The short answer is no.**" – Michael Skipworth⁽²⁾

Questionable Capital Allocation Decisions

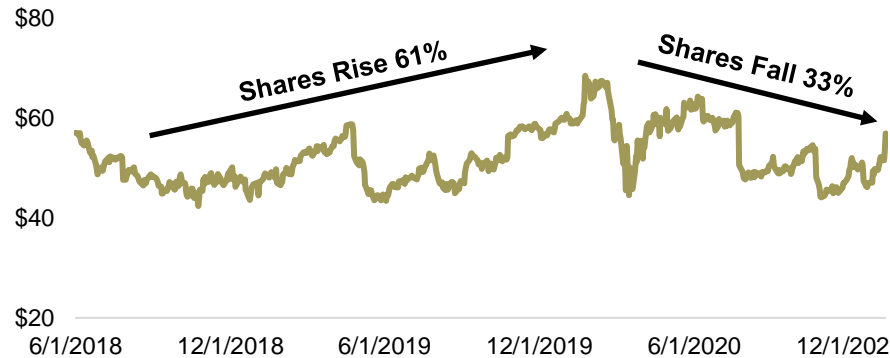
 **3Q23:** Wingstop takes on debt to announce an inaugural \$250 million share repurchase program

 "We believe (the share repurchase) further demonstrates our commitment to enhancing shareholder returns." – Skipworth

 "I would also add Wingstop is one of the most shorted restaurants out there... the shorts are getting into them and they're covering." – Former Wingstop COO⁽³⁾

Two Former CFOs with Initial Success

INTC Share Prices over Bob Swan's CEO Tenure⁽¹⁾



Intel's hiring of former CFO Bob Swan after former CEO's Brian Krzanich's resignation has some similarities to Wingstop's hiring of Michael Skipworth after Charlie Morrison's departure

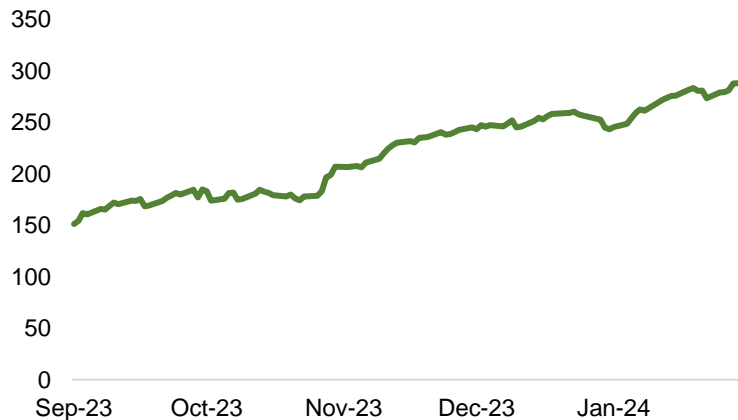
(1) BBG (2) Wingstop 1Q22 Earnings Call (3) Tegus Interview



Entering 2024 in a Precarious Position for Macro Uncertainty

WING's Rally has Left it Susceptible to a Weak Macro

WING is up over 85% Since September 2023

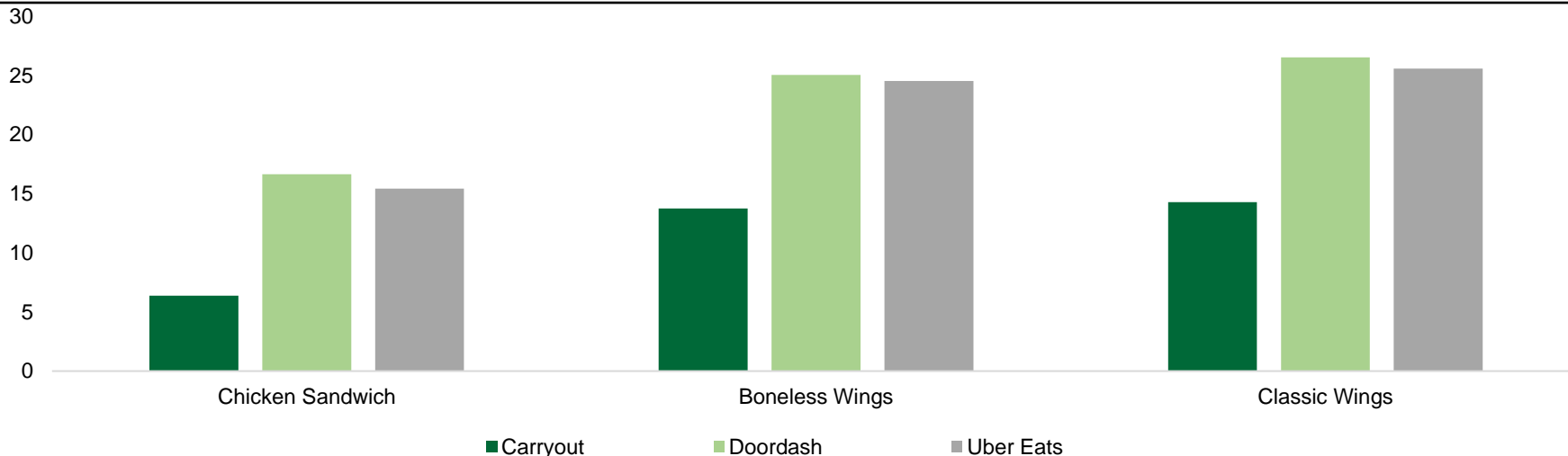


Mizuho's Konstam warns of 20%-30% downside for equities

The markets are starting to realize just how hawkish the Fed is—and reckoning with higher-for-longer interest rates

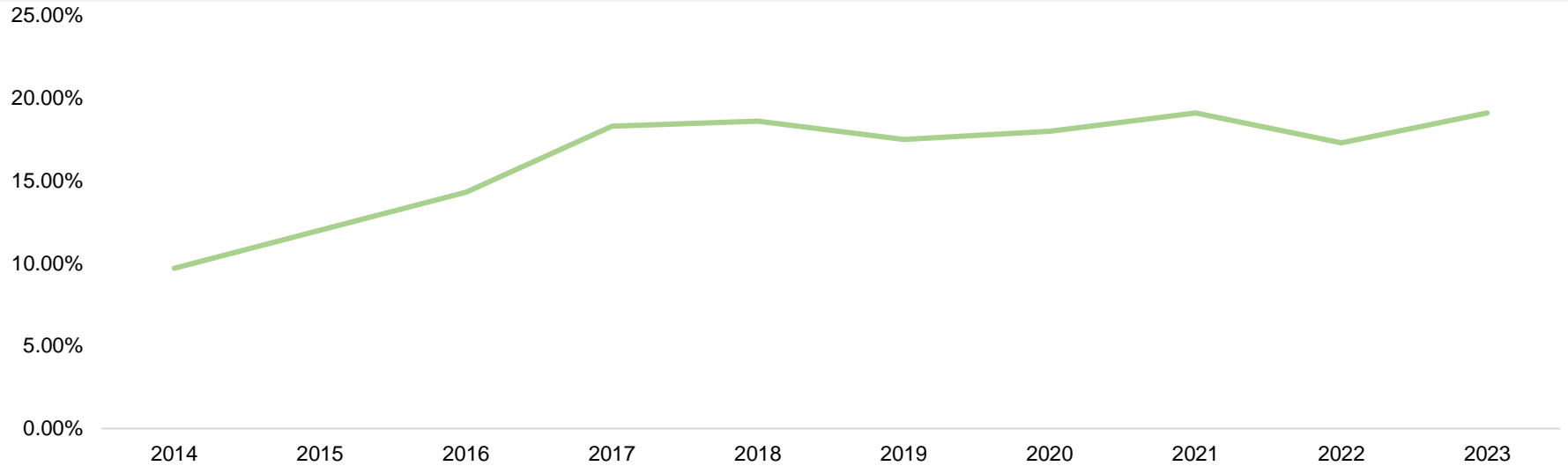
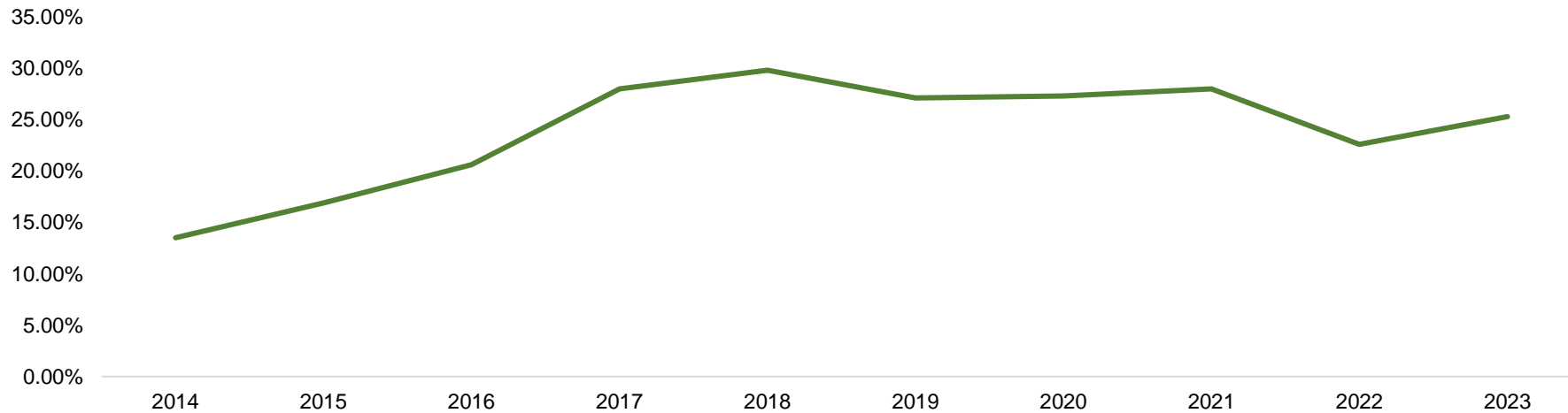
Delivery Mix Makes it More Susceptible than Peers

Prices Between Delivery Platforms¹



(1) CIMG Research

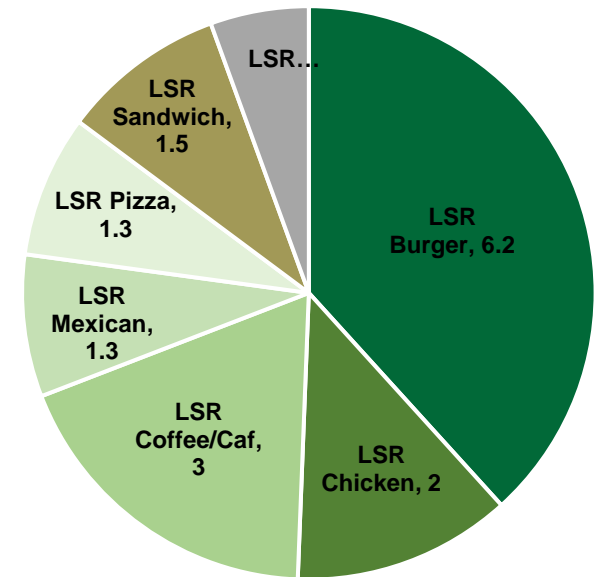
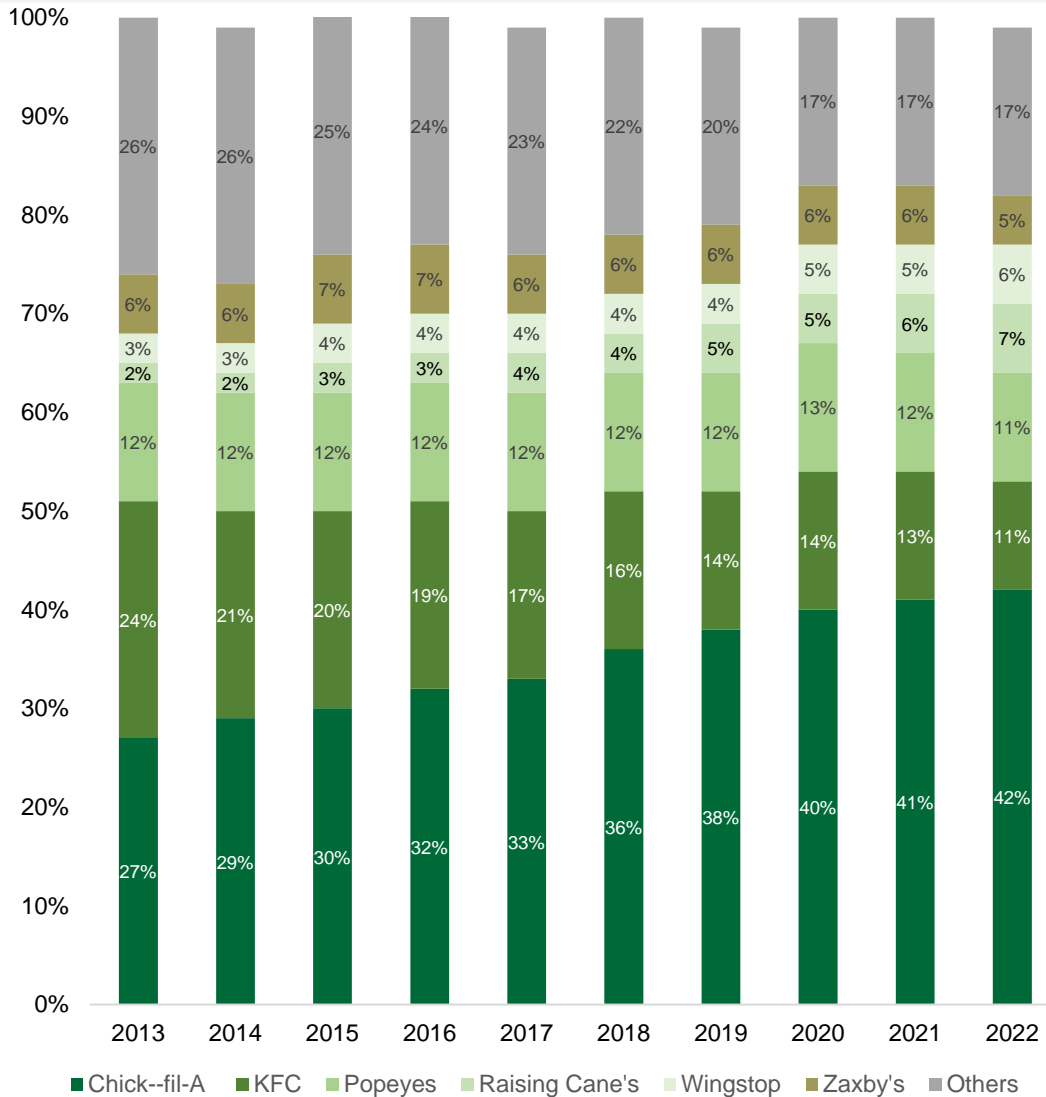
ROIC – ROA

ROA %⁽¹⁾ROIC %⁽¹⁾

(1) Capital IQ



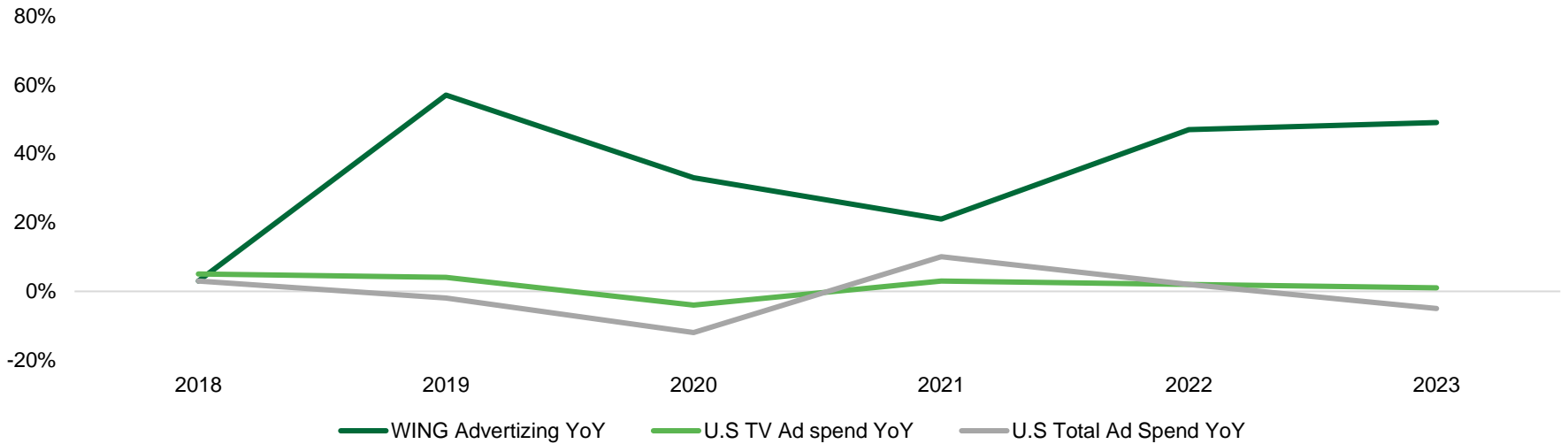
LSR Chicken Market Share and Traffic by Category



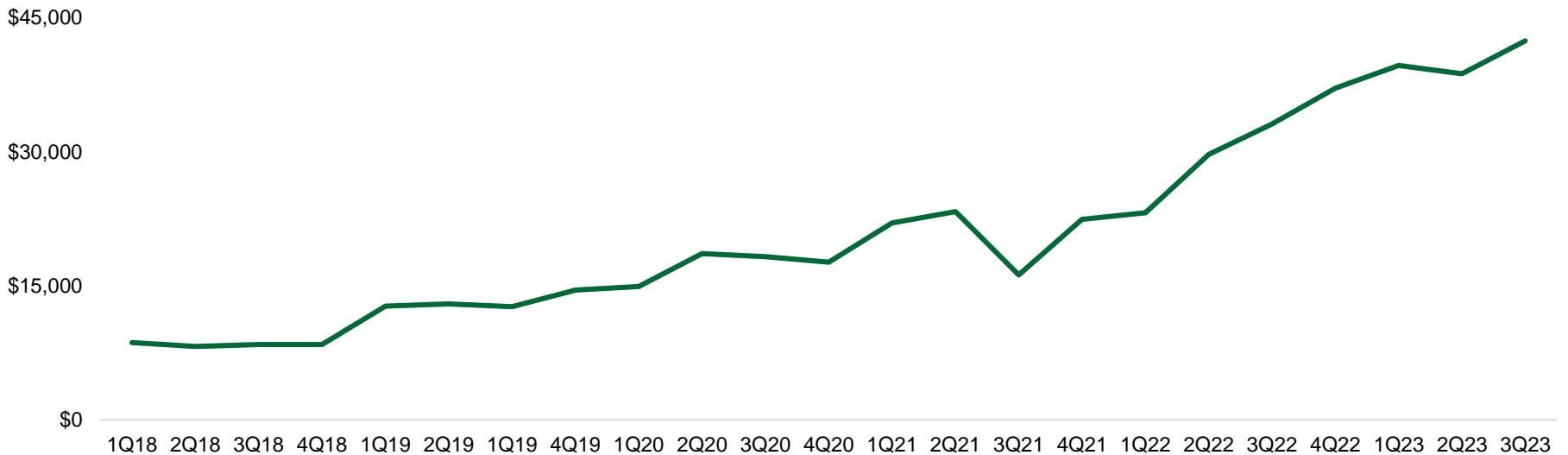


Ad Spend Over Time

YoY Growth in WING's Ad Spend vs Total Television Advertising in the U.S



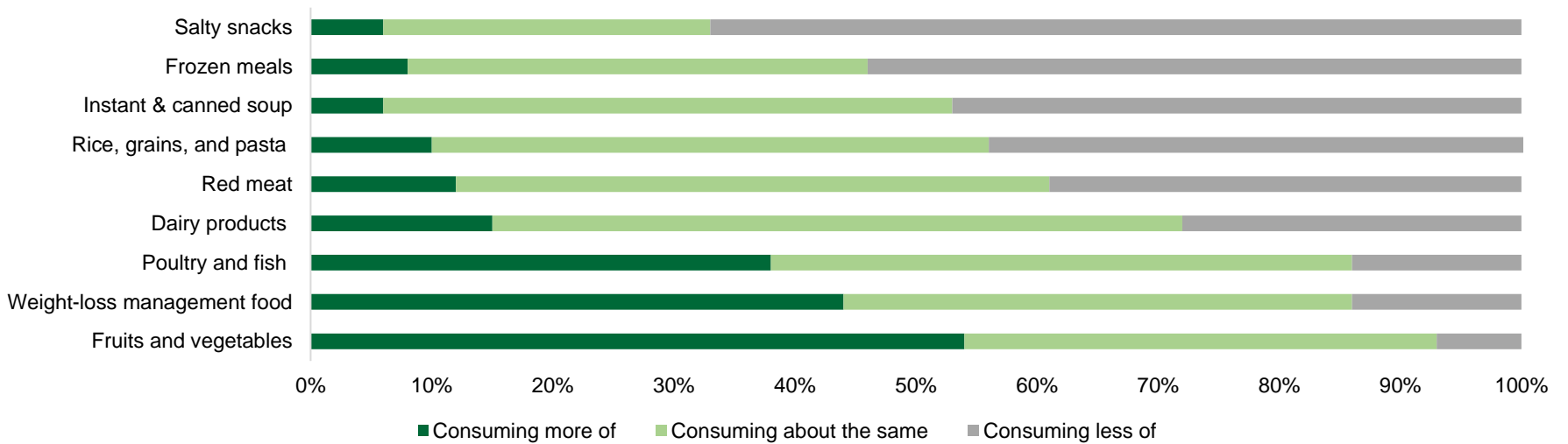
WING Ad Spend Over Time



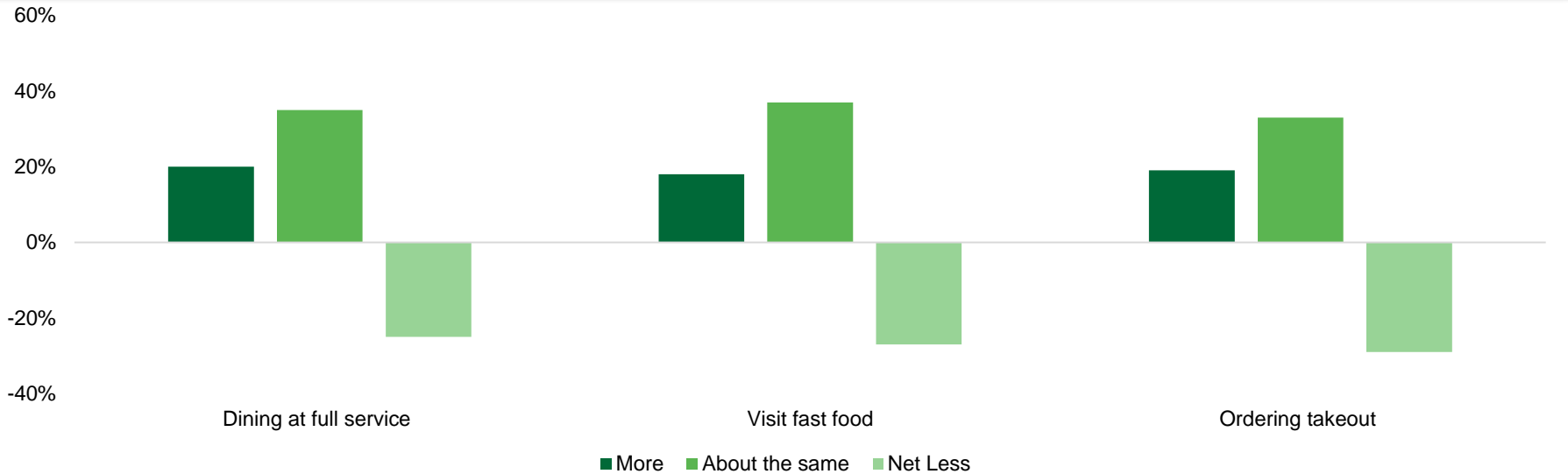


Supplementary GLP-1 Data

GLP-1 Users Turn to Healthier Options



Consumers Currently on GLP-1s Changes in Eating Habits⁽²⁾



(2) Wells Fargo

Sandwich SSSG Math



		2.5%	5%	10%	15%	20%
	1755	2038.725	2088.45	2187.9	2287.35	2386.8
Dinner	1491.75	1529.04375	1566.338	1640.925	1715.513	1790.1
Lunch	263.25	509.68125	522.1125	546.975	571.8375	596.7
Total Sales	1755	2038.725	2088.45	2187.9	2287.35	2386.8
		1755	1755	1755	1755	1755
Total AUV Gain		283.725	333.45	432.9	532.35	631.8
Total AUV			2088.45	2187.9	2287.35	2386.8
SSSG CQGR			4.44%	5.67%	6.85%	7.99%

Model Cover



Assumptions	
Model Date	2/15/2024
Today's Date	2/15/2024
Discount Rate	10%
Long Term Growth Rate	2%
Terminal Multiple	40.00x
Diluted Shares Outstanding	29,818
Current Share Price	\$ 315.15
Cash	77,983
Debt	711,867
Preferred Stock / Other	-
Tax Rate	21%

Culverhouse Investment Management Group		
Wingstop (NYSE:WING)		
Recommendation: SHORT		
Caleb Claiborne, Ian McHugh, Brooke Peterson		
Values in Thousands USD		

Calendar ended	18-Dec	19-Dec	20-Dec	21-Dec	22-Dec	30-Jun	23-Dec	24-Dec	25-Dec	31-Mar	30-Jun	30-Sep
	2018	2019	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028
	FY18	FY19	FY20	FY21	FY22	1H23	2H23	FY24E	FY25E	FY26E	FY27E	FY28E
Fiscal Year Ended	A	A	A	A	A	A	E	E	E	E	E	E
Revenue	153,181	199,676	248,811	282,502	357,521	332,998	116,069	471,079	494,743	528,674	569,779	610,758
Cost of Sales	32,063	41,105	48,583	57,416	63,395	50,959	19,732	80,083	84,106	89,875	96,862	103,829
Gross Profit	121,118	158,571	200,228	225,086	294,126	282,039	96,338	390,995	410,637	438,800	472,916	506,929
SGA	44,579	57,295	68,985	62,895	67,061	68,820	6,628	25,357	24,582	24,531	26,503	28,475
Advertising Expense	33,699	52,891	69,428	83,989	123,069	120,753	41,546	165,105	173,225	184,828	199,970	215,130
Other Expense	-	-	(3,093)	(3,497)	1,164	95	-	-	-	-	-	-
D&A	4,313	5,484	7,518	7,943	10,899	9,591	3,440	13,962	14,664	15,669	16,888	18,102
EBIT	38,527	42,901	57,390	73,756	91,933	82,780	44,723	186,571	198,166	213,771	229,555	245,222
Taxes	5,208	5,289	3,637	16,249	16,369	17,959	9,958	41,951	45,180	49,346	53,292	57,208
NOPAT	33,319	37,612	53,753	57,507	75,564	64,821	34,765	144,620	152,986	164,426	176,264	188,014
D&A	4,313	5,484	7,518	7,943	10,899	9,591	3,440	13,962	14,664	15,669	16,888	18,102
Capex	(3,982)	(22,486)	(6,052)	(28,021)	(23,940)	(28,295)	(12,419)	(50,405)	(52,938)	(56,568)	(60,966)	(65,351)
(Increase) Decrease in NWC												
UFCF							25,785	108,177	114,712	123,527	132,185	140,765
Discounted UFCF							25,178	96,027	92,571	90,622	88,158	85,346
Discount Period							0.25	1.25	2.25	3.25	4.25	5.25
EBITDA	42,840	48,385	64,908	81,699	102,832	92,371	48,163	200,533	212,829	229,441	246,443	263,324
<i>EBITDA Margin</i>	28.0%	24.2%	26.1%	28.9%	28.8%	27.7%	41.5%	42.6%	43.0%	43.4%	43.3%	43.1%

Long Term Growth Rate Method	
Terminal Value	
PV of Terminal Value	1,088,161
PV of Free Cash Flow	645,151
Implied Enterprise Value	1,733,312
Less: Debt	711,867
Less: Preferred/ Other	-
Plus: Cash	77,983
Implied Equity Value	1,099,428
Diluted Shares Outstanding	29,818
Implied Share Price	\$ 36.87
<i>Upside / (Downside)</i>	-88%
Implied NTM EBITDA Multiple	3.00x

NTM EV/EBITDA Multiple	
NTM EBIT	183,099
NTM D&A	13,821
EBITDA	196,920
EV/EBITDA Multiple	38
Implied Enterprise Value	7,482,950
Less: Debt	711,867
Less: Preferred/Other	-
Plus: Cash	77,983
Implied Equity Value	6,849,066
Diluted Shares Outstanding	29,818
Implied Share Price	229.70
<i>Upside / (Downside)</i>	-27%

Terminal Multiple EV/EBITDA	
Terminal Value	8,021,327
PV of Terminal Value	4,863,340
PV of Free Cash Flow	645,151
Enterprise Value	5,508,491
Less: Debt	711,867
Less: Preferred / Other	-
Plus: Cash	77,983
Implied Equity Value	4,874,607
Diluted Shares Outstanding	29,818
Implied Share Price	\$ 163.48
<i>Upside / (Downside)</i>	-48%
Implied Long Term Growth Rate	10.00%