

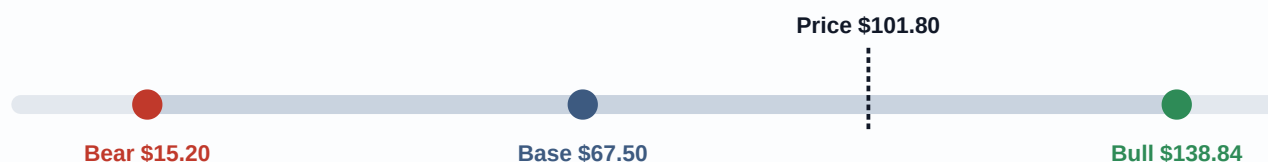
Initiated 2026-09-29 · Price \$101.80 (as of 2026-09-28, stockanalysis.com) · Mkt cap \$2.78bn · Consumer discretionary / restaurant franchisor · Model: verified

Rating: Sell — Conviction: Medium

The stock is down 59% in a year, but it has not become cheap. Domestic same-store sales are -8.1% year to date and AUVs have fallen to \$1.9mm from \$2.1mm. The price is still ~19x lease-excluded GAAP EBITDA, on 6x gross leverage and a 1.78 beta. The model's base case sits a third below the price even with ~10% unit growth and margin expansion built in. The price already assumes a comp recovery that hasn't started, and the securitized balance sheet makes the downside far deeper than the upside.

Conviction tests (3a-v-c): T1 pass (base -41.4% at +1pp, -24.2% at -1pp; Sell at both) · T2 fail (exit-multiple method alone is -9%, a Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Wingstop franchises chicken-wing restaurants: 3,255 units at 2026-06-27, of which 2,671 are domestic franchised, 57 company-owned and 527 international. FY2025 revenue was \$696.9mm across three lines. Royalties and franchise fees were \$86.8mm in Q2 2026. Advertising fees were \$64.5mm, a pass-through matched by advertising expense. Company-owned restaurant sales were \$34.2mm. Revenue therefore tracks system-wide sales (\$1.41bn in Q2, +5.3%), and 71.6% of those sales are digital. Three variables drive earnings. The first is domestic same-store sales (-7.5% in Q2, all traffic). The second is unit growth (15-16% guided for 2026). The third is bone-in wing cost, which sets company-store margin and franchisee cash returns; it fell 9.1% in Q2 and is the main support for new-unit development.

Competition

The pressure comes from chicken QSR value, not from other wing specialists. Popeyes (Restaurant Brands) added permanent wings and now pushes \$5-\$20 value bundles. Its US same-store sales were -5.2% in Q2 2026, which is weak but still better than Wingstop's -7.5% (CNBC, 2026-08-06). Wingstop is losing relative traffic, not just riding a soft category. Private Buffalo Wild Wings and Raising Cane's compete for the same off-premise occasion. Pressure shows up first in transactions, then in AUV, and only later in franchisee development appetite, which is the growth engine. The closest listed franchisors all trade below Wingstop on EV/EBITDA: Domino's at 14.3x, Yum at 16.5x and RBI at 16.1x.

Bull case

- 1. **Unit growth outruns comps** — 437 net new units in twelve months (2,818 → 3,255) keep system sales growing even with negative comps. International and new US markets carry development through 2028. Plays out if franchisee pipelines hold at 13–14% growth and Club Wingstop loyalty (launched 2026-05-27) returns comps to +3–4%. *Model: rev_growth*
- 2. **Royalty leverage and wing deflation** — royalties grow on a largely fixed SG&A base, and cheaper wings lift company-store margin and franchisee cash returns. Plays out if wing costs stay down and SG&A holds near the \$140–143mm guide. *Model: ebitda_margin*
- 3. **Multiple holds** — if comps turn, a capital-light franchisor growing units in the teens could keep today's ~19x. Plays out if two quarters of positive traffic arrive before the market de-rates the story. *Model: exit_ev_ebitda*

Bear case

- 1. **Comps stay negative and development slows** — AUV has already fallen ~10% year over year. If comps stay around –4% to –5%, new-unit returns erode and franchisees slow openings, so the growth that supports the multiple fades at the same time. Plays out if the low-income core customer stays squeezed and Popeyes keeps pressing on value. *Model: rev_growth, exit_ev_ebitda*
- 2. **Margin reverses** — SG&A is guided up ~10% while royalties are flat. If wing costs rebound, the Q2 margin tailwind disappears. Plays out if poultry costs normalise in 2027 while comps are still negative. *Model: ebitda_margin*
- 3. **Leverage and refinancing** — the balance sheet carries \$1,220.9mm of securitized notes against \$127.5mm of cash: 5.97x gross and 5.35x net FY2025 EBITDA. \$472.8mm of that is 2020-1 paper at 2.84%, which will refinance well above that coupon. The 2024-1 notes carry 5.858%. Equity is a thin slice of EV, so small EV changes move the stock a lot. Plays out if EBITDA stalls while the refinancing window approaches. *Model: wacc; FY0 credit.debt and market.cash*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA (model basis: mkt cap – cash + notes, FY2025 GAAP EBITDA, leases excluded)	18.9x	n/a (unverified)	DPZ 14.3x · YUM 16.5x · QSR 16.1x (trailing, lease-inclusive, aggregator)	Model; stockanalysis 2026-09-28
EV/EBITDA (aggregator, trailing)	16.7x	n/a (unverified)	same as above	stockanalysis 2026-09-28
Forward P/E (consensus)	21.5x	n/a (unverified)	DPZ 14.4x · YUM 21.5x · QSR 16.8x	stockanalysis 2026-09-28
FCF yield (TTM FCF \$128.5mm / mkt cap)	4.6%	FY2025: OCF \$153.1mm – capex \$47.4mm = \$105.7mm (3.8% of today's cap)	n/a	stockanalysis 2026-09-28; FY2025 10-K

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$15.20 · Base \$67.50 · Bull \$138.84 per share, i.e. implied returns of –85.1% / –33.7% / +36.4% vs \$101.80. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits about halfway between base and bull, so the market is already paying for part of the bull's comp recovery. Neither method says "no re-rating." The base exit multiple of 15x is a ~21% de-rating from today's 18.9x, down to the peer band. The two methods also differ by far more than 10% (Gordon \$42.74, exit \$92.26). At a 10.8% WACC and 3.5% terminal growth, the Gordon method embeds a much lower terminal multiple than the exit method. The exit method is the generous one, and it still lands below the price. Wingstop is a single brand, and the bear case is a plateau, so I ran a tail sensitivity. With revenue –3% in year two and only +3% by year five, EBITDA margin 25%, NWC –3% of revenue, a 9x exit and a 12.8% WACC, the bear midpoint falls to \$2.29.

Balance sheet: net leverage 5.35x FY2025 EBITDA (gross 5.97x); coverage 3.9x EBITDA / net interest; liquidity \$127.5mm unrestricted cash plus \$300mm of undrawn variable funding notes; nearest material maturity is the \$472.8mm 2020-1 Class A-2 notes, anticipated repayment date n/a (unverified; modelled as 2027); ratings n/a (unverified). Amortization is suspended while securitization leverage stays under 5.0x; the base path reaches 3.1x net by year five.

Model note: verified: LibreOffice recalculation matched all 3,207 formula cells. Unverified inputs: none. Assumptions without basis: none. No scenario CHECKS. Note repayment dates (2027/2029/2031) are placeholders affecting only the maturity ladder. No company EPS guidance exists. Base Y1 GAAP EPS of \$3.96 sits below the ~\$4.74 implied by the consensus forward P/E. The gap comes from GAAP vs adjusted definitions (SBC is ~\$24mm a year) and a higher modelled interest cost. FY2025 GAAP EPS of \$6.21 included a \$93.7mm investment gain. 2026 buybacks averaged \$208.08, twice today's price; that is not a signal about value. NWC excludes advertising-fund balances; pre-FY2024 NWC not retrieved.

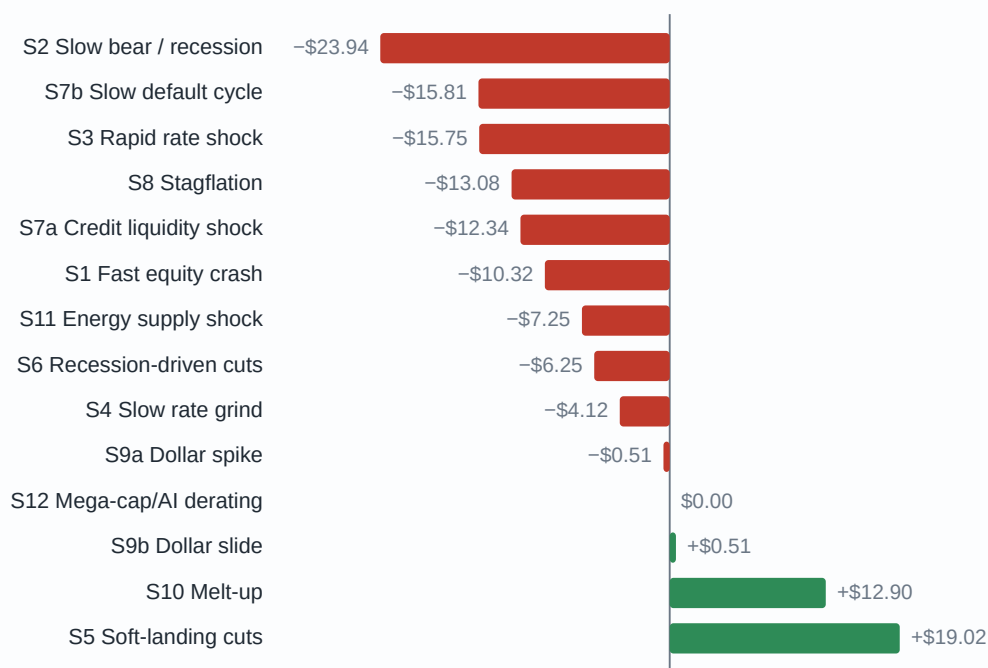
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	De-risking of a 1.78-beta, 18%-shorted stock; no operating channel over weeks	Med	–\$10.32
S2 Slow bear / recession	–	The low-income core customer cuts traffic further on top of negative comps; development slows; SG&A deleverages. About half of Base – Bear on purpose: a recession is transitory, the bear case is a multi-year plateau	High	–\$23.94
S3 Rapid rate shock	–	Fixed-rate notes, so no immediate interest hit; discount rate and multiple on a long-duration story, and dearer refinancing of the 2.84% notes	High	–\$15.75
S4 Slow rate grind	–	Same channel, grinding	Low	–\$4.12
S5 Soft-landing cuts	+	Relief for the core customer plus a lower discount rate	High	+\$19.02
S6 Recession-driven cuts	–	Traffic loss outweighs the lower discount rate	Med	–\$6.25
S7a Credit liquidity shock	–	Securitization market access matters for refinancing \$1.2bn; multiple compresses	Med	–\$12.34
S7b Slow default cycle	–	Franchisee development financing tightens; wider ABS spreads raise refinancing cost	High	–\$15.81
S8 Stagflation	–	Squeezed low-income customer plus wage and labour inflation on franchisee margins	Med	–\$13.08
S9a Dollar spike	–	~16% of units are international; royalties translate lower. Small	Low	–\$0.51
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.51
S10 Melt-up	+	High beta and 18% short interest drive covering and re-rating	Med	+\$12.90
S11 Energy supply shock	–	Gas prices hit the core customer directly (cited for Q1 2026 comps); delivery costs rise	Med	–\$7.25
S12 Mega-cap/AI derating	0	No material effect, not modeled	Low	\$0.00

Currently active/on watch per the playbook: S3 partially active (price leg met, pace legs short per `state.md`); S8, S10 and S11 on watch, S11 escalated after the 2026-09-19/20 Saudi/Houthi strikes (Brent ~\$108). S11 and S8 are the live risks here: gasoline prices hit the core customer, which the company itself cited for Q1 2026 comps.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: domestic same-store sales turn positive on transactions for two consecutive quarters with AUV stabilising at or above \$1.9mm, while net unit growth stays $\geq 13\%$. Or the price falls far enough that the base case sits at or above it. **Downgrades if:** n/a at Sell. The thesis strengthens if 2026 unit growth is cut below 15%, if comps miss the -4% to -6% guide, or if the 2020-1 refinancing prices materially above 6%.

Watch items

- **W1:** Domestic same-store sales vs the -4% to -6% FY2026 guide (implies H2 near flat after -8.1% YTD) — Q3 release — ~late Oct 2026 — *Model: rev_growth*
- **W2:** Net openings and FY2027 unit-growth guide vs 15–16% in 2026 — Q4 release — ~Feb 2027 — *Model: rev_growth*
- **W3:** Bone-in wing cost trend and GAAP EBITDA margin vs 33.2% in Q2 — Q3 10-Q — ~late Oct 2026 — *Model: ebitda_margin*
- **W4:** Refinancing of the 2020-1 notes: timing and coupon — 8-K — date n/a — *Model: none*

Sources

- Wingstop (WING) statistics, stockanalysis.com — <https://stockanalysis.com/stocks/wing/statistics/> — accessed 2026-09-29
- Wingstop Q2 2026 earnings release (8-K ex. 99.1) — <https://www.sec.gov/Archives/edgar/data/0001636222/000162828026050401/a991wingearningsreleasefin.htm> — accessed 2026-09-29
- Wingstop 10-Q, quarter ended 2026-06-27 — <https://www.sec.gov/Archives/edgar/data/0001636222/000162828026050580/wing-20260627.htm> — accessed 2026-09-29

- Wingstop FY2025 10-K statements (R3, R5, R7) — <https://www.sec.gov/Archives/edgar/data/1636222/000163622226000008/> — accessed 2026-09-29
- SEC EDGAR XBRL companyconcept: Revenues, OperatingIncomeLoss, DepreciationDepletionAndAmortization (CIK 1636222) — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001636222/us-gaap/Revenues.json> — accessed 2026-09-29
- SEC EDGAR submissions index, CIK 1636222 — <https://data.sec.gov/submissions/CIK0001636222.json> — accessed 2026-09-29
- Wingstop 8-K Item 5.02, 2026-08-25 — <https://www.sec.gov/Archives/edgar/data/1636222/000162828026058878/wing-20260824.htm> — accessed 2026-09-29
- Domino's, Yum! Brands, Restaurant Brands statistics, stockanalysis.com — <https://stockanalysis.com/stocks/dpz/statistics/> · [/yum/](https://stockanalysis.com/stocks/dpz/statistics/) · [/qsr/](https://stockanalysis.com/stocks/dpz/statistics/) — accessed 2026-09-29
- CNBC, Restaurant Brands International Q2 2026 earnings — <https://www.cnbc.com/2026/08/06/restaurant-brands-international-q2-2026-earnings.html> — accessed 2026-09-29
- Gurufocus / Simply Wall St, September 2026 price moves and Q1 2026 context — <https://www.gurufocus.com/news/9092668/wingstop-inc-wing-shares-fall-46-what-gf-score-of-82-tells-investors> — accessed 2026-09-29

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.