

WESTPEAK RESEARCH ASSOCIATION

Wingstop Inc. (NasdaqGS: WING)

Consumer Cyclical - Restaurants

Eating Wings Doesn't Stop

April 15, 2023

Wingstop Inc. is a fast-casual restaurant chain focusing on chicken wings with a retro aviation theme. It currently has approximately 1,900 locations worldwide in 8 countries and operates under a franchise model. 98% of Wingstop locations are owned and operated by independent franchisees.

Thesis – Continued Strong Growth

Wingstop has shown and proved that it is capable of rapid growth and expansion, especially through times of crisis during 2020 and 2021. However, Wingstop has received considerable downward pressure on its stock price as inflation soared and rates increased, which led to the decline of many growth stocks. As inflation slowly gets under control and rate hikes decrease, moving through 2023, we believe that Wingstop has the potential to attract more investors with its solid business model, high margins, and huge room for growth.

Drivers – Digital Transformation and International Expansion

To maintain strong growth in the future, we expect Wingstop to continue its digital transformation to increase efficiency, allowing them to reduce costs. To increase revenue, Wingstop will expand its global reach to include more countries and develop its network in them. We believe this combination of cost reduction and revenue expansion will continue to drive growth within Wingstop.

Valuation

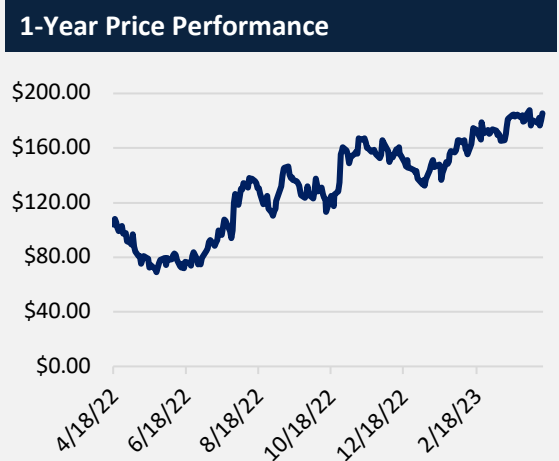
We believe Wingstop is capable of further growth, but the current share price of \$185.39 is overvalued. Through a discounted cash flow (DCF) model with a 20.0x exit multiple, an EV/EBITDA mean based and a P/E mean-based comparable company analysis, in combination with our analysis and estimation of the future financial condition of Wingstop, we obtain a **price target of \$158.60**, which implies a **downside of 14.5%**. Thus, we initiate a **HOLD** rating on Wingstop Inc.

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Equity Research	US
Price Target	USD\$ 158.60
Rating	Hold
Share Price (Apr. 14 Close)	USD\$ 185.39
Total Return	-14.5%

Key Statistics	
52 Week H/L	\$193.74/\$67.67
Market Capitalization	\$5.56B
Average Daily Trading Volume	637.23K
Net Debt	\$730.6M
Enterprise Value	\$6.07B
Net Debt/EBITDA	8.0x
Diluted Shares Outstanding	29.9M
Free Float	99.5%
Dividend Yield	0.5%

WestPeak's Forecast			
	2022E	2023E	2024E
Revenue	\$366M	\$463M	\$573B
EBITDA	\$121M	\$175M	\$218M
Net Income	\$67M	\$110M	\$142M
EPS	\$2.23	\$3.68	\$4.73
P/E	67.8x	41.1x	32.0x
EV/EBITDA	35.6x	24.2x	18.8x



Business Overview/Fundamentals

Company Overview

Wingstop Inc ('Wingstop') is a fast-casual restaurant that offers classic wings, boneless wings, and tenders, which are cooked to order, as well as sauced and tossed by hand in flavours of choice. The Company also uses limited-time offers for the availability of certain flavours to attract new and returning customers. Wingstop also attracts customers by creating value "deals" and expects to have \$120 million for its national ad fund in 2022, 3 times that of 2018. Wingstop operates under a franchise model, with operations in 8 countries totalling approximately 1,900 restaurants. As a result, Wingstop receives revenue under three different segments, including franchise royalties, advertising fees, and sales from company-owned restaurants.

Wings

Wingstop offers bone-in wings, boneless wings, and tenders with various dips and sides. The flavours available in the US include plain, Hawaiian, Garlic Parmesan, Lemon Pepper, Mild, Original Hot, Hickory Smoked BBQ, Atomic, Mango Habanero, Cajun, Louisiana Rub, and Spicy Korean Q. Limited-time flavours are also offered, and it has included flavours like Brazillian Citrus Pepper and Ancho Honey Glaze in the past.

Chicken Sandwiches

In August 2022, Wingstop introduced chicken sandwiches to its menu, which come in the same flavours that the wings are in. This demonstrates how Wingstop describes itself as a "flavour" company, not a "wing" company. In the future, restaurant development is not simply constrained to delivering wings to its customers, but as well as other menu options created based on the same "classic" flavours.



Segments

Franchise Royalties

As Wingstop operates under a franchise model, its main source of income is its franchise royalties, accounting for 46.3% of the total revenue in FY2021. In addition to a flat franchise fee of \$20,000 paid when a new franchise is opened, 6% of all gross sales are contributed as royalties to the Company.



Advertising Fees

Wingstop also collects 5% of a franchisee's gross sales to contribute to the national ad fund. This value was increased from 4% starting from Q2 FY2022. This fund, which amounts to around \$120M, allows Wingstop to spend a budget for advertisements for the whole brand around the world

Sales from company-owned restaurants

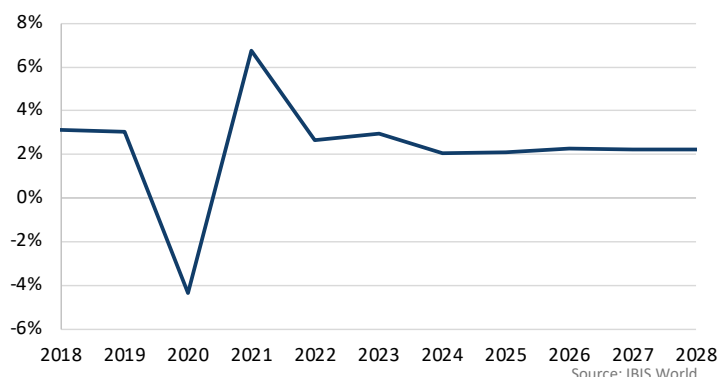
Although 98% of Wingstop stores are franchisee owned, there are still 45 stores which are directly owned by the Company. This amounts to a not insignificant amount of income, accounting for 24.9% of the total revenue in FY2021. Most of these company-owned stores are acquired from partner franchisees who returned their store to the Company.

Industry Analysis

Overview

From 2017 to 2022, the fast-food industry expanded significantly. As disposable income increased during this period, consumers increased spending on luxuries, including eating out. However, the growth in full-service restaurants has been faster than that of fast-food restaurants due to the increased income of consumers. Moreover, growing demand from emerging markets also boosted revenue. Under the COVID-19 pandemic, the industry revenue in 2020 decreased by 4.3%. As society is walking out of the effects of the pandemic, demand is expected to return, and the revenue from the fast-food industry is projected to grow by 2.7% in 2022.

Global Fast Food Revenue Growth



Outlook

Due to recent inflation and commodity price volatility, consumers continue to seek convenient food at a low price, so the sales of fast-food restaurants are expected to continue to remain stable. Nevertheless, the fast-food market is extremely competitive in the United States, pushing prices down and cutting revenue. Therefore, the primary revenue driver for the fast-food industry over the next five years will be international expansion, particularly in Asia and the Middle East. Industry profit is projected to rise in the coming years as many companies expand their operations into low-cost international markets, decreasing overall operating costs. Further, grocery prices are expected to decline and stabilize over the next five years, bolstering profitability. Industry EBITDA in 2027 is expected to be 7.4% of the total revenue, up from 6.9% in 2022.

Digitization

COVID-19 has shifted trends towards online ordering. In 2020, growth in revenue from companies like Chipotle Mexican Grill and Popeyes Louisiana Kitchen was largely driven by online orders increasing sales in digital-focused operators like Popeyes and Chipotle. Many fast-food companies are investing in innovation and technology to refresh their facilities. For instance, McDonald's announced initiatives to introduce self-serve kiosks to all its American locations, as well as rolling out an online ordering system through its mobile app.

Health Consciousness

There is also an increased focus on healthy eating. Many consumers have become health-conscious, shifting demand from traditional fast-food restaurants to growing fast-casual restaurants. On the other hand, government agencies are swift to increase regulation of the fast-food industry. For example, the banning of trans fats in Denmark and Austria, as well as New York and California. In the United States, it has been estimated that this would cost the food industry \$6.2 billion over 20 years. Moreover, countries like the United Kingdom, Norway and Sweden have banned fast food commercials from TV during peak children's programming and viewing times.

Management Team

Michael J. Skipworth – President, Chief Executive Officer & Director

Mr. Skipworth joined Wingstop in December 2014 as a Vice President. Before serving as the Chief Executive Officer for Wingstop in March 2022, he was the Chief Operating Officer and the Chief Financial Officer of the Company. Being in top-level management for Wingstop for such a long time clearly demonstrates his passion for the Company and the nuances of the company culture. Before joining Wingstop, he also worked in KPMG as an audit senior manager.



Alex Kaleida – Chief Financial Officer

Mr. Alex Kaleida has served as Chief Financial Officer and Senior Vice President at Wingstop Inc. since August 27, 2021. He joined Wingstop in 2019 as Vice President of Financial Planning & Analysis from March 2019 to August 2021 and in his most recent role, led Investor Relations, fostering key relationships with shareholders and the investment community. Prior to joining the Company, he served in various finance and strategic leadership positions with increasing responsibility: at The Wendy's Company from January 2014 until March 2019, where he was promoted to Senior Director, Corporate FP&A and Operations Finance, reporting to the CFO. Prior to his time at The Wendy's Company, he served in various positions at H.J. Heinz Company, where his responsibilities ranged from accounting to finance leadership roles across North American consumer products and food service business units as well as global strategy. With previous leadership roles at Wendy's and Kraft Heinz Company, he is a well-respected leader within the industry and possesses a



wealth of financial knowledge and a deep understanding of financial impacts and levers across marketing, digital, operations and more.

Investment Thesis

Market View

Though the overall fast-food industry is facing headwinds in the near future, we believe that the Company is in a strong position relative to its peers. Over the past few years, despite facing pressure from COVID-19 and inflation, Wingstop management was able to adapt to the changing environment, attaining continuous earnings growth year over year. In Q1 2022, strong results allowed management to declare a \$4 per share special dividend. Faced with inflationary fears and declining customers due to a reduction in disposable income, share prices faced downward pressure and reached a low of \$67.67 in mid-2022. However, continued expansion, development of new products and a reduction of resource costs grew revenues. This attracted investors, and share prices ballooned to \$170.87 in late-2022, an increase of 152% from the lows.

Investment Thesis 1 – International expansion

There is huge potential for Wingstop to be able to capitalize on markets outside of the US. The company is still in the booming stages of development, and therefore it still has significant room for expansion outside of the saturated US market into international markets in Europe and Asia, such as Canada, Germany, South Korea and China. Wingstop currently only has around 200 stores outside the US, and the Company targets to be able to reach 3000 stores globally. Given previous successes in Mexico and Indonesia, which brought in much growth over 2022, we believe that the Company will be able to continue capitalizing on this kind of expansion in the future, and increase sales volume.

Investment Thesis 2 – Digital development

Continued improvement of digital technology and increased access to data will enable the company to transform their business to reduce costs and increase customer satisfaction. Previous digital infrastructure can be credited to aiding the Company in being able to keep up growth over the pandemic, where many other industries saw a wide decline in sales. We believe that given management's commitment to continue increasing the digital presence in Wingstop, both in marketing and operations, the company will continue to be able to maintain resilience. Moreover, further digitization reduces company costs, including the cost of opening new franchise stores. In conclusion, continued digital advancements allow Wingstop to be even more competitive, and allow ease of expansion.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

Wingstop Inc. currently has 29.915 million shares outstanding. Insiders or other individuals own 0.52% of the shares outstanding, while institutions own 118.95% of the shares outstanding. This number exceeds 100% due to misaligned reporting requirements for holdings data and the financial reporting of shares outstanding.

Wingstop Inc. Shareholder Base

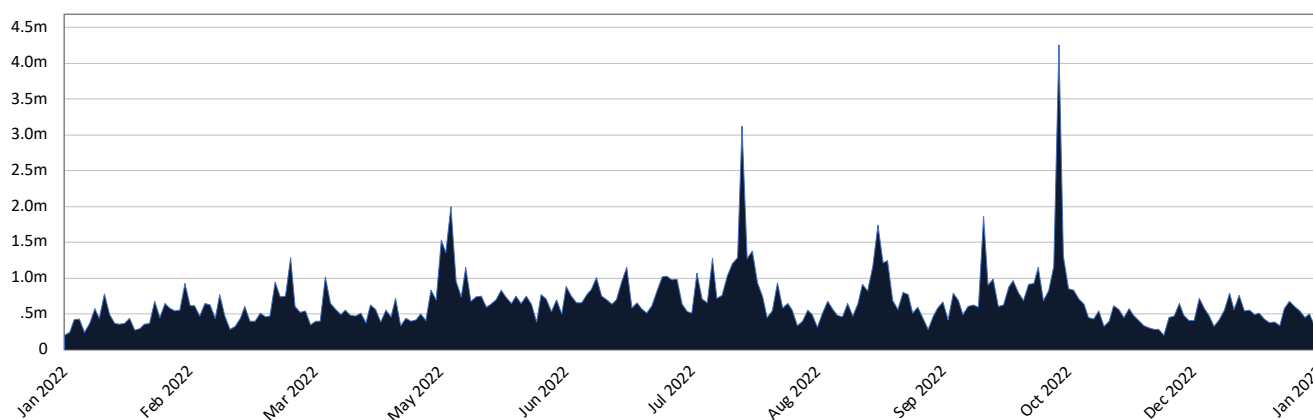
Shareholder	Shares Equivalent Held	% of Total Shares Outstanding
BlackRock, Inc.	3,535,572	11.82%
Wellington Management Group LLP	3,071,141	10.27%
T. Rowe Price Group, Inc.	2,875,705	9.61%
The Vanguard Group, Inc.	2,832,737	9.47%
American Century Investment Management Inc	2,174,658	7.27%
Columbia Management Investment Advisers, LLC	1,135,725	3.80%
Federated Hermes, Inc.	963,607	3.22%
State Street Global Advisors, Inc.	930,355	3.11%
Champlain Investment Partners, LLC	788,355	2.64%
ClearBridge Investments, LLC	769,444	2.57%
Top 10 Identified Shareholders	19,077,299	63.78%

Source: S&P Capital IQ

Liquidity

Wingstop Inc. has had an average trading volume of 669,935 over the trailing 12 months. Massive spikes in the volume traded correspond to the release of quarterly and yearly financial reports.

Wingstop Inc. 1-Year Trading Volume



Source: S&P Capital IQ

Valuation

Our valuation is based on a weighing of 4 factors: 80% on the exit multiple DCF method, 5% on the EV/EBITDA mean comparable company analysis method, and 5% on the P/E mean comparable company analysis method. Based on our financial analysis and forecasts, we believe Wingstop has a **share price downside of 14.5%** with a **target price of \$158.60**.

Discounted Cash Flow Analysis Assumptions

Revenue Forecasts

We expect Wingstop to increase the number of stores opened from approximately 2000 stores by the end of 2022 to 3500 stores by the end of 2027. We assume the number of international stores opened will increase rapidly from 240 by the end of 2022 to 820 by the end of 2027, as it is the primary driver of store number growth.

We also assume an increase in royalty revenues per store from FY2023 onwards. Over the 12 months prior to the end of Q3 2022, domestic same-store sales growth was at 6.9%, and domestic same-store growth over the 3 years prior amounted to 36.2%. Therefore, we assume royalty rates per store will increase by approximately 10% year over year, accounting for potentially stronger same-store growth in stores outside the United States.

Cost Forecasts

Since Wingstop will continue to require capital to expand its business, especially overseas, we expect the rate of capital expenditure to increase constantly into the near future.

Due to deflation in bone wing prices and stabilization of inflation costs, we expect the costs of goods sold as a percentage of revenue (COGS%) to decrease from 17% in FY2022 to 14% in FY2023 and remain constant there. Especially with the continued digital transformation and innovation of the business which can help reduce costs, we expect Wingstop to be able to maintain such a level of COGS% and achieve decreases in spending on operation expenses, which helps to increase EBITDA as a percentage of revenue from the current 33% to over 40% by 2026.

We also assume a constant future tax rate around the historical tax rate of 25%.

Dividend Payment

In Q3 of FY2022, Wingstop issued a dividend of \$0.19 per share, an increase from \$0.17 per share in Q2 FY2022. We expect slight further increases in the dividend into the future to \$0.80 per share yearly from the current \$0.76 per share as the Company increases its earnings.

Weighted Average Cost of Capital (WACC)

We calculated the WACC for Wingstop to be 9.7%, based on a cost of equity of 10.6% and a cost of debt of 3.7%. The cost of equity is based on a risk-free rate of 3.5%, an expected market return of 8.6%, and a beta of 1.41, which results in a cost of equity of 10.6% under the capital asset pricing model. The cost of debt is based on a pre-tax cost of debt of 3.6% and an effective tax rate of 25.3%.

Comparable Company Analysis

We have selected several fast-casual restaurant companies as comparisons to evaluate the relative valuation of Wingstop with the broader industry. Most of these companies operate under a franchising model, but they offer different types of food or a variety of options.

Chipotle Mexican Grill, Inc. (NYSE: CMG)

Chipotle Mexican Grill is an American chain of fast-casual restaurants specializing in bowls, tacos and Mission burritos made to order in front of the customer. As of September 30, 2022, it owned and operated approximately 3,100 restaurants in the United States, Canada, the United Kingdom, France, Germany, and the rest of Europe.

Papa John's International, Inc. (NasdaqGS: PZZA)

Papa John's International, Inc. operates and franchises pizza delivery and carryout restaurants both in the United States and internationally. It operates through four segments: Domestic Company-Owned Restaurants, North America Commissaries, North America Franchising, and International Operations. The Company also operates international dine-in and delivery restaurants under the Papa John's trademark. As of September 25, 2022, it operated 5,589 Papa John's restaurants, which included 521 company-owned and 5,068 franchised restaurants in 47 countries.

Domino's Pizza, Inc. (NYSE: DPZ)

Domino's Pizza, Inc. operates as a pizza company in the United States and internationally. The Company offers pizzas under the Domino's brand name through company-owned and franchised stores. It also provides oven-baked sandwiches, pasta, boneless chicken and chicken wings, bread and dips side items, desserts, and soft drink products. As of January 2, 2022, the Company operated approximately 18,800 stores in 90 markets.

Portillo's, Inc. (NasdaqGS: PTLO)

Portillo's Inc. owns and operates fast casual and quick service restaurants in the United States. The Company offers Chicago-style hot dogs and sausages, Italian beef sandwiches, burgers, chopped salads, crinkle-cut French fries, homemade chocolate cakes, and milkshakes. As of June 26, 2022, it owned and operated 71 Portillo's restaurants across nine states. The Company also offers its products through its website.

Yum! Brands, Inc. (NYSE: YUM)

YUM! Brands, Inc., together with its subsidiaries, develops, operates, and franchises quick-service restaurants worldwide. The Company operates restaurants under the KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill brands, which specialize in chicken, pizza, made-to-order chargrilled burgers, sandwiches, Mexican-style food categories, and other food products. As of December 31, 2021, it had 26,934 KFC units; 18,381 Pizza Hut units; 7,791 Taco Bell units; and 318 The Habit Burger Grill units in approximately 157 countries and territories. The Company was formerly known as TRICON Global Restaurants, Inc. and changed its name to YUM! Brands, Inc. in May 2002.

Shake Shack, Inc. (NYSE: SHAK)

Shake Shack Inc. owns, operates, and licenses Shake Shack restaurants in the United States and internationally. Its Shacks offers hamburgers, hot dogs, chicken, crinkle-cut fries, shakes, frozen custard, beer, wine, and other products. As of December 29, 2021, it operated 369 stores, including 218 domestic company-operated stores, 25 domestic licensed stores, and 126 internationally licensed stores.

Recommendation

Hold

Given our fundamental analysis of Wingstop and projection through discounted cash flow modelling and comparable companies analysis, we propose a price target of \$158.60, which represents a downside of 14.5% from the current trading price of \$185.39.

We believe that the robust scalability of the business model resulting in digital development in addition to the global expansion opportunities presents a strong case for the continued rapid growth of the company, keeping up with the track record of strong growth in the past. The management team has been successful in managing the Company through times of crisis. Even though the COVID-19 pandemic decreased in-person store visits, in 2020, the Company was able to utilize its digital network to keep revenue growth at a 25% increase yearly. And as bone-in-wing inflation reached 72% in 2021, revenue growth was still increasing by 13.5%. This showcases the resiliency of the operating model from company management. Moving away from the COVID-19 pandemic and as supply chain issues resolve, company management can turn to focus on implementing their “master developing plan” – to enter and develop in new markets, and to ramp up international growth. We believe that the robust scalability of the business model resulting in digital development in addition to the global expansion opportunities presents a strong case for the continued rapid growth of the company, keeping up with the track record of strong growth in the past.

However, at the current share price, Wingstop Inc. trades at a very high EV/EBITDA ratio compared to its peers. From our cash flow analysis, we believe the Company only has a little upside in the future. Therefore, we issue a “Hold” rating on Wingstop Inc., given that despite strong company fundamentals and large potential growth, it is overvalued at current price levels.

Risks

Low growth potential within the industry

The fast-food industry, in general is expected to stagnate and experience a period of slow growth in the low single digits. Therefore, Wingstop will have to face the same headwinds as other companies in the industry, mostly the issue of very high competition driving down the selling price, and a lower retention rate of customers as they have many other options to choose from. However, we believe that Wingstop has the potential to be an anomaly, thanks to a good track record of good management. Currently, Wingstop has 18 consecutive years of same-store sales growth as well as a revenue compounded annual growth rate (CAGR) over the past 5 years of 22.3%, which is significantly higher than the competition. However, if the management team missteps in keeping up the quality and efficiency of the restaurant, profit margins would decrease and growth would stagnate, invalidating our assumptions about strong future growth contrary to the broader industry.

Failing entry into other countries

Entering a new market involves many uncertainties; therefore, Wingstop's entry into many different foreign markets may also be risky for the Company and may backfire. Customer behaviour and the circumstances related to the time period around entering a foreign market are very hard to predict, not to mention the high costs of doing so. Though we expect Wingstop will be successful in entering countries indicated on their roadmap, for example, South Korea and Indonesia, some of the countries may be more challenging, like China with many regulatory restrictions and the different cultures of the population. A failed attempt in a foray into foreign markets may prove to be extremely costly for Wingstop and significantly decrease profits.

Appendix

Exhibit 1: Model Summary

Summary Page

	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Income Statement															
Revenue	133.3	153.2	199.7	248.8	282.5	76.2	83.8	92.7	113.3	365.9	462.7	573.1	695.5	827.3	976.3
EBITDA	37.2	42.8	48.4	64.9	81.7	18.8	24.9	26.9	49.8	120.5	174.6	217.8	278.2	339.2	410.1
Net Income	23.9	21.7	20.5	23.3	42.7	8.7	13.3	13.4	31.5	66.8	110.2	141.8	185.9	230.2	281.7
Earnings Per Share	\$ 0.81	\$ 0.73	\$ 0.69	\$ 0.78	\$ 1.42	\$ 0.29	\$ 0.44	\$ 0.45	\$ 1.05	\$ 2.23	\$ 3.68	\$ 4.73	\$ 6.20	\$ 7.68	\$ 9.40
Cash Flow Statement															
Capital Expenditures	(2.5)	(4.0)	(22.5)	(6.1)	(28.0)	(6.3)	(6.4)	(6.3)	(6.3)	(25.3)	(21.0)	(22.8)	(25.9)	(29.3)	(33.2)
Acquisitions	(3.9)	(6.5)	(1.2)	(6.7)	(4.9)	-	-	(1.7)	-	(1.7)	-	-	-	-	-
Divestitures	-	-	-	4.8	7.2	1.5	2.2	0.4	-	4.1	-	-	-	-	-
Dividend Payment	(4.1)	(190.7)	(11.7)	(163.8)	(19.8)	(5.3)	(124.6)	(5.7)	(5.7)	(141.3)	(22.7)	(23.9)	(23.9)	(23.9)	(23.9)
Dividend Per Share	\$ 0.14	\$ 6.54	\$ 0.40	\$ 5.50	\$ 0.62	\$ 4.17	\$ 0.17	\$ 0.19	\$ 0.19	\$ 4.72	\$ 0.76	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Dividend Payout to Earnings	17.0%	878.2%	57.3%	702.8%	46.5%	61.0%	936.4%	42.5%	18.1%	211.4%	20.6%	16.9%	12.9%	10.4%	8.5%
Dividend Payout to Core FCF	13.8%	550.2%	20.8%	284.5%	22.2%	25.8%	609.6%	22.2%	14.0%	131.7%	15.9%	13.5%	10.6%	8.7%	7.2%
Dividend Yield	0.4%	11.5%	0.5%	5.1%	0.4%	3.8%	0.2%	0.1%	0.1%	3.7%	0.4%	0.4%	0.4%	0.4%	0.4%
Balance Sheet															
Current Assets	15.9	29.9	30.2	72.6	70.1	324.2	209.5	223.1	258.5	258.5	340.4	456.5	619.1	825.4	1,083.1
Non-Current Assets	103.9	109.8	135.9	138.9	179.1	183.1	185.9	187.9	191.4	191.4	200.7	210.9	222.4	235.4	250.1
Assets	119.8	139.7	166.1	211.6	249.2	507.3	395.4	411.0	449.9	449.9	541.2	667.4	841.4	1,060.7	1,333.3
Current Liabilities	19.1	26.5	32.9	50.5	39.7	171.4	52.7	60.7	73.7	73.7	77.6	85.9	98.0	111.0	125.8
Non-Current Liabilities	159.1	338.1	342.6	502.4	519.0	760.2	758.2	757.0	757.0	757.0	757.0	757.0	757.0	757.0	757.0
Liabilities	178.3	364.6	375.5	552.9	558.7	931.5	810.8	817.6	830.7	830.7	834.5	842.8	854.9	868.0	882.7
Shareholders' Equity	(58.4)	(224.8)	(209.4)	(341.3)	(309.5)	(424.2)	(415.5)	(406.6)	(380.8)	(380.8)	(293.4)	(175.5)	(13.5)	192.7	450.5
Cash	6.4	20.9	21.2	59.3	54.9	309.5	191.6	200.9	236.1	236.1	317.1	430.5	589.2	791.2	1,044.2
Debt	133.3	311.8	310.9	470.5	469.4	715.8	716.2	715.5	715.5	715.5	715.5	715.5	715.5	715.5	715.5
Net Debt	126.9	290.8	289.7	411.3	414.5	406.2	524.6	514.6	479.4	479.4	398.3	285.0	126.3	(75.8)	(328.8)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	3.4 x	6.8 x	6.0 x	6.3 x	5.1 x	-	-	-	-	4.0 x	2.3 x	1.3 x	0.5 x	n/a	n/a
Operating Metrics															
Return on Equity (ROE)	-41.0%	-9.7%	-9.8%	-6.8%	-13.8%	-2.0%	-3.2%	-3.3%	-8.3%	-17.6%	-37.6%	-80.8%	-1375.6%	119.4%	62.5%
Return on Assets (ROA)	20.0%	15.5%	12.3%	11.0%	17.1%	1.7%	3.4%	3.3%	7.0%	14.9%	20.4%	21.3%	22.1%	21.7%	21.1%
Return on Invested Capital (ROIC)	32.4%	28.9%	21.3%	34.7%	29.4%	-17.8%	11.2%	10.1%	27.5%	60.0%	89.9%	113.2%	149.5%	185.2%	226.6%
Valuation Metrics															
Stock Price (High)	\$ 43.25	\$ 75.58	\$ 107.43	\$ 170.00	\$ 187.35	\$ 150.47	\$ 140.76	\$ 170.87	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39
Stock Price (Low)	\$ 24.74	\$ 38.53	\$ 60.13	\$ 44.27	\$ 112.49	\$ 67.67	\$ 71.21	\$ 109.67	\$ 185.39	\$ 67.67	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39
Stock Price (Average)	\$ 34.00	\$ 57.06	\$ 83.78	\$ 107.14	\$ 149.92	\$ 109.07	\$ 105.99	\$ 140.27	\$ 185.39	\$ 126.53	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39	\$ 185.39
Diluted Shares Outstanding (Average)	29.4	29.6	29.7	29.8	29.9	30.0	29.9	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Market Capitalization (Average)	1,000.3	1,688.1	2,485.8	3,193.1	4,489.2	3,269.3	3,170.4	4,203.5	5,555.6	3,790.3	5,555.6	5,555.6	5,555.6	5,555.6	5,555.6
Enterprise Value (Average)	1,127.2	1,978.9	2,775.4	3,604.3	4,903.7	3,675.5	3,695.0	4,718.1	6,035.0	4,269.7	5,953.9	5,840.5	5,681.9	5,479.8	5,226.8
P/E	41.8 x	77.7 x	121.4 x	137.0 x	105.2 x	-	-	-	-	56.7 x	50.4 x	39.2 x	29.9 x	24.1 x	19.7 x
EV/EBITDA	30.3 x	46.2 x	57.4 x	55.5 x	60.0 x	-	-	-	-	35.4 x	34.1 x	26.8 x	20.4 x	16.2 x	12.7 x
FCF Yield to Market Capitalization	3.0%	2.5%	1.0%	2.2%	0.6%	-	-	-	-	2.3%	2.1%	2.7%	3.5%	4.3%	5.2%
FCF Yield to Enterprise Value	2.7%	2.1%	0.9%	1.9%	0.5%	-	-	-	-	2.0%	1.9%	2.5%	3.4%	4.3%	5.5%
Free Cash Flow															
EBIT	33.9	38.5	42.9	57.4	73.8	16.6	22.4	24.1	47.0	110.0	162.9	205.1	263.8	322.9	391.6
Tax Expense	(4.8)	(5.2)	(5.3)	(3.6)	(16.2)	(2.9)	(3.1)	(4.7)	(11.9)	(27.8)	(41.2)	(51.8)	(66.6)	(81.6)	(98.9)
D&A	3.4	4.3	5.5	7.5	7.9	2.2	2.5	2.8	2.9	10.5	11.7	12.7	14.4	16.3	18.4
Capital Expenditures	(2.5)	(4.0)	(22.5)	(6.1)	(28.0)	(6.3)	(6.4)	(6.3)	(6.3)	(25.3)	(21.0)	(22.8)	(25.9)	(29.3)	(33.2)
Changes in NWC	0.5	8.1	4.5	14.0	(12.2)	6.1	(4.9)	4.4	12.9	18.4	3.0	5.6	8.2	8.8	10.0
Unlevered Free Cash Flow	30.4	41.7	25.1	69.2	25.2	15.8	10.5	20.3	44.5	85.8	115.4	148.8	193.9	237.2	287.9
Valuation Summary															
Current Price	\$ 185.39														
Target Price	\$ 158.60														
Total Return	-14.5%														
Recommendation	HOLD														
DCF Valuation															
Perpetuity Growth Implied Price	\$ 84.02														
Exit Multiple Implied Price	\$ 174.91														
Comps Valuation															
Comps - EV/EBITDA Implied Price	\$ 82.12														
Comps - P/E Implied Price	\$ 104.62														

Exhibit 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
WACC Calculations															
Cost of Equity															
Risk-free rate	3.5%														
Expected market return	8.6%														
Market Risk Premium	5.0%														
Beta	1.41														
Cost of Equity	10.6%														
Cost of Debt															
Pre-tax cost of debt	3.6%														
Effective tax rate	25.3%														
Cost of Debt	3.7%														
WACC															
Market value of equity	5,555.6														
Market value of debt	715.5														
Total Capitalization	6,271.1														
Cost of equity	10.6%														
Cost of debt	3.7%														
WACC	9.8%														
Free Cash Flow															
EBIT	33.9	38.5	42.9	57.4	73.8	16.6	22.4	24.1	47.0	110.0	162.9	205.1	263.8	322.9	391.6
Less: Tax expense	(4.8)	(5.2)	(5.3)	(3.6)	(16.2)	(2.9)	(3.1)	(4.7)	(11.9)	(27.8)	(41.2)	(51.8)	(66.6)	(81.6)	(98.9)
Add: Depreciation and amortization	3.4	4.3	5.5	7.5	7.9	2.2	2.5	2.8	2.9	10.5	11.7	12.7	14.4	16.3	18.4
Less: Capital expenditures	(2.5)	(4.0)	(22.5)	(6.1)	(28.0)	(6.3)	(6.4)	(6.3)	(6.3)	(25.3)	(21.0)	(22.8)	(25.9)	(29.3)	(33.2)
Less: Change in net working capital	0.5	8.1	4.5	14.0	(12.2)	6.1	(4.9)	4.4	12.9	18.4	3.0	5.6	8.2	8.8	10.0
Unlevered Free Cash Flow	30.4	41.7	25.1	69.2	25.2	15.8	10.5	20.3	44.5	85.8	115.4	148.8	193.9	237.2	287.9
Discount factor						-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						-	-	-	43.5	43.5	106.1	120.4	142.9	159.1	175.8
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	747.8														
Terminal value	2,284.7														
Enterprise Value	3,032.6														
Add: Cash	200.9														
Less: Debt	715.5														
Less: Other EV adjustments															
Equity Value	2,517.9														
Shares outstanding	30.0														
Implied Share Price	\$ 84.02														
Current Price	\$185.39														
Implied Price	\$ 84.02														
Total Return	-54.7%														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	20.0 x														
PV sum of unlevered FCF	747.8														
Terminal value	5,008.203														
Enterprise Value	5,756.0														
Add: Cash	200.9														
Less: Debt	715.5														
Less: Other EV adjustments															
Equity Value	5,241.4														
Shares outstanding	30.0														
Implied Share Price	\$ 174.91														
Current Price	\$ 185.39														
Implied Price	\$ 174.91														
Total Return	-5.7%														
WACC															
Perpetuity Growth Rate	1.00%	\$ 65.83	\$ 70.87	\$ 76.50	\$ 82.82	\$ 89.99									
	1.50%	\$ 69.33	\$ 74.84	\$ 81.04	\$ 88.06	\$ 96.07									
	2.00%	\$ 73.22	\$ 79.30	\$ 86.17	\$ 94.02	\$ 103.05									
	2.50%	\$ 77.59	\$ 84.33	\$ 92.02	\$ 100.87	\$ 111.16									
	3.00%	\$ 82.53	\$ 90.07	\$ 98.74	\$ 108.82	\$ 120.70									
Terminal EV/EBITDA Multiple	18.0 x	\$ 151.61	\$ 155.44	\$ 159.38	\$ 163.44	\$ 167.61									
	19.0 x	\$ 159.63	\$ 163.66	\$ 167.80	\$ 172.06	\$ 176.44									
	20.0 x	\$ 167.66	\$ 171.88	\$ 176.22	\$ 180.68	\$ 185.27									
	21.0 x	\$ 175.68	\$ 180.09	\$ 184.63	\$ 189.30	\$ 194.10									
	22.0 x	\$ 183.71	\$ 188.31	\$ 193.05	\$ 197.92	\$ 202.93									

Exhibit 3: Comparable Company Analysis

Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple		
				2021A EV/EBITDA	2022E EV/EBITDA	2023E EV/EBITDA	2021A P/E	2022E P/E	2023E P/E
Chipotle Mexican Grill, Inc.	(NYSE: CMG)	45,065.7	48,011.0	44.3 x	32.0 x	25.3 x	71.0 x	48.7 x	37.7 x
Papa John's International,	(NasdaqGS: PZZA)	2,939.1	3,670.0	16.3 x	17.5 x	16.0 x	693.8 x	28.8 x	24.9 x
Domino's Pizza, Inc.	(NYSE: DPZ)	13,761.0	19,030.4	23.0 x	22.6 x	20.9 x	28.7 x	32.0 x	27.3 x
Portillo's Inc.	(NasdaqGS: PTLO)	1,017.6	1,289.5	24.4 x	15.7 x	13.4 x	(13.4 x)	96.1 x	61.2 x
Yum! Brands, Inc.	(NYSE: YUM)	36,243.5	48,124.5	20.9 x	20.7 x	19.0 x	24.7 x	28.8 x	25.2 x
Shake Shack, Inc	(NYSE: SHAK)	2,165.0	2,573.1	57.4 x	39.6 x	26.2 x	(250.4 x)	(137.7 x)	(787.0 x)
Wingstop Inc.	(NasdaqGS: WING)	5,555.6	6,070.2	74.3 x	50.4 x	34.8 x	130.1 x	83.1 x	50.4 x
Median					21.7 x	19.9 x		32.0 x	27.3 x
Mean					24.7 x	20.1 x		46.9 x	35.3 x
High					39.6 x	26.2 x		96.1 x	61.2 x
Low					15.7 x	13.4 x		28.8 x	24.9 x
				EV/EBITDA Implied Price			P/E Implied Price		
Median				\$	69.99	\$ 98.98	\$	71.38	\$ 100.37
Mean				\$	82.12	\$ 99.98	\$	104.62	\$ 129.64
High				\$	142.06	\$ 135.23	\$	214.50	\$ 224.96
Low				\$	45.81	\$ 60.83	\$	64.27	\$ 91.66

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