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Sally J. Smith – President, Chief Executive Officer & Director

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David Dorfman – Analyst, Morgan Stanley & Co. LLC
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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen. Welcome to the Buffalo Wild Wings Third Quarter 2012 Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. I would like to remind everyone that this conference call is being recorded. I would now like to turn the conference over to Mary Twinem, Chief Financial Officer and Executive Vice President of Buffalo Wild Wings. Please go ahead.

Mary J. Twinem, CFO, Treasurer, EVP & Head-Investor Relations

Good afternoon and thank you for joining us as we review our third quarter 2012 results. I'm Mary Twinem, Chief Financial Officer and Executive Vice President of Buffalo Wild Wings. Joining me today is Sally Smith, our President and Chief Executive Officer. By now, everyone should have access to our third quarter earnings release.

Before we get started, I remind you that during the course of today's call various remarks we make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may vary materially from those contained in forward-looking statements based on a number of factors, including but not limited to, our ability to achieve and manage our planned expansion, the sales and other growth factors that are company-owned and franchise locations, our ability to successfully operate in new markets including non-U.S. markets, unforeseen obstacles in developing sites including non-traditional and non-U.S. locations, the cost of commodities, the success of our key initiatives and our advertising marketing campaigns, our ability to control restaurant labor and other restaurant operating costs, economic conditions

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including changes in consumer preferences or consumer discretionary spending and other factors disclosed from time to time in our filings with the U.S. Securities and Exchange Commission.

On today's call, Sally will provide an overview of our performance for the third quarter. After that, I will provide further detail on the quarter and comment on trends to-date and the year in full. Finally, Sally will share some additional thoughts about the remainder of this year and the year ahead. We will then answer questions. So with that, I will turn things over to Sally.

Sally J. Smith, President, Chief Executive Officer & Director

Good afternoon, everyone. We're pleased with our strong top line growth of nearly 25% in the third quarter. We focused on operational excellence at the restaurant level and our teams delivered strong same-store sales with increases of 6.2% at company-owned restaurants and 5.8% at franchise location. In addition, we leveraged on labor, operating, and occupancy expenses.

High cost of sales and incremental preopening expenses moderated our bottom line expansion, producing earnings per diluted share of $0.57 for the quarter compared to $0.61 in 2011. We focused on adapting to current wing market conditions. Our restaurants have transitioned to larger size wings in response to the continuing shift in the poultry industry to larger bird production.

We took menu price increases in July and subsequently price increase in mid August to compensate for the bigger wings and record high wing costs. These adjustments are beginning to ease the pressure on our cost of sales. We are currently testing, serving our wings in flexible portions rather than fixed quantities, which will lessen the cost of sales impact from future fluctuation in wing size.

We're monitoring the impact of this test on sales, margins and guest perception in about 60 restaurants. And based on the results, we will incorporate these changes at our remaining locations in the first half of 2013.

In the third quarter, we made investments in our future as we upgraded our technology infrastructure, continued our international expansion, and worked towards purchasing additional franchise locations. We had successful marketing campaigns in the third quarter. The Summer Olympics provided opportunities for friends to gather in our restaurants and cheer our athletes onto the gold. On the heels of the closing ceremony, we shifted our focus to the gridiron and more football fanatics filled our restaurants for our annual Fantasy Football draft promotions than ever before.

In the third quarter, we had two menu inserts to highlight our ongoing new menu offering. We featured three new Flatbreads, Thai Curry Chicken, Caribbean Barbecue Pork and Five Cheese Italian Pepperoni. We also featured two refreshing new summer salads. Guest response to these new items was tremendous and based on their popularity, our pepperoni flatbread and chopped salad will become permanent menu items in 2013.

Our expanded retail gift card program continued to generate revenue throughout the third quarter and produced nearly 50 basis points of incremental same-store sales. We're pleased with the success of this program and its potential to introduce the Buffalo Wild Wings brand to new guests.

Our operations team is focused on providing our guest with a great football experience to encourage repeat business throughout the season. In addition, they work diligently to manage cost and certify additional training restaurants to support our ongoing new restaurant opening. Mary will now provide additional details on the third quarter, as well as the fourth quarter to date. Then I'll return to talk about the remainder of the year and beyond.

Mary J. Twinem, CFO, Treasurer, EVP & Head-Investor Relations

Thank you, Sally. Our revenue in the third quarter grew by 24.8% increasing to $246.9 million. System wide sales at our company-owned and franchised restaurants were $592.9 million for the quarter, more than 16% higher than the same period in the prior year.

Company-owned restaurant sales for the third quarter increased to $228.4 million, a 26.2% increase over the same period in the prior year. Same-store sales were 6.2% for the quarter compared to 5.7% last year. Menu price increases and adjustments taken during the past 12 months at company-owned restaurants were about 4%.

We had 55 additional company-owned restaurants in operation at the end of this quarter versus third quarter last year, a 19% unit increase. Average weekly sales increased by 6.3%, slightly higher than our same-store sales percentage for the quarter. The average weekly sales calculation benefited by about 50 basis points from the closing of older lower volume locations during the last 12 months.

Company-owned locations opened during the last 15 months contributed an increase of 30 basis points. The 17 locations that we purchased from franchisees in the last 15 months are performing in line with our expectations, but lowered our weekly average by 70 basis points.

Our royalty and franchise fee revenue for the third quarter grew by 10.2% to $18.4 million versus $16.7 million last year with an additional 13 franchise units in operation at the end of the third quarter versus a year ago. As a reminder, we have purchased 15 franchise locations in the 12 months preceding the end of this quarter, which lowers the year-over-year increase in franchise units.

Same-store sales at franchised locations increased by 5.8% in the quarter compared to a 4.2% increase in third quarter last year. Average weekly sales volumes for the quarter increased by 8.3%, a 250 basis point increase over same-store sales. About 170 basis points of the increase is attributed to the closure of locations and our acquisition of the 17 franchised units.

The following comments will focus on the performance of our company-owned restaurants. Cost of sales for the third quarter was 31.2% of restaurant sales compared to 28.5% in third quarter last year, a 270 basis point increase. Traditional wings were $1.97 per pound this quarter, $0.81 or 70% higher than last year's average of $1.16. Added to this increase is the lower wing per pound yield as a result of poultry producers moving productions to larger birds and the result is that our cost per wing by the end of the third quarter was about 90% higher than the unusually low wing cost of last year.

Traditional wings accounted for 21% of our restaurant sales this quarter, up from 20% last year and boneless wings were 19% of sales in both years. Food and non-alcoholic beverage sales were 79% of restaurant sales compared to 78% last year.

Cost of labor for the third quarter was 30.1% of restaurant sales, 20 basis points lower than third quarter last year with proportionately lower payroll tax and workers' compensation expense. In the third quarter, restaurant operating expenses as a percentage of restaurant sales were 15.2%, a decrease of 60 basis points, with a continued benefit of lower natural gas expense and lower debit card fees. Occupancy costs were 5.9% as a percentage of restaurant sales, compared to 6.2% last year, a 30 basis point improvement.

In summary, restaurant level cash flow, which is calculated before depreciation and preopening expenses was $40.3 million or 17.6% of restaurant sales versus $34.9 million or 19.3% in the third quarter last year. By leveraging our other expense lines by 100 basis points, we offset the impact from higher cost of sales to 170 basis points.

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Depreciation and amortization for the third quarter was 6.8% of total revenue, 40 basis points higher than the prior year, the result of both the incremental amortization for tangibles acquired for 2011 franchise acquisitions and the incremental depreciation for freestanding locations and technology infrastructure.

General and administrative expenses were $21.8 million in the third quarter or 8.8% of total revenue compared to $18.3 million or 9.3% in the prior year. Excluding stock-based compensation of $2.3 million, G&A expenses for the third quarter totaled $19.5 million or 7.9% of total revenue, the same percentage as last year. The investment income from funds set aside for future payouts under our deferred compensation plan that was recorded in the current quarter when compared to the investment loss that we recorded last year increased our general and administrative expenses by 30 basis points in the third quarter.

We opened or relocated 15 new company-owned restaurants in North America during the third quarter compared to 10 new locations in the third quarter of 2011. Preopening expenses for the quarter totaled $4.5 million versus $3.9 million last year. The $4.5 million includes $1.4 million of preopening expenses for future openings that are under construction and in the third quarter last year we incurred $1.6 million related to future openings.

Preopening costs averaged $274,000 per new restaurant during the first nine months of 2012 compared to $279,000 average for 2011 openings. The loss on asset disposals and store closures for the third quarter totaled $788,000 compared to $612,000 last year. Of this amount, $395,000 was related to the rollout of the new point of sale and back office systems at company-owned locations during the third quarter. Similar expenses to complete the rollout are expected in the fourth quarter.

We reported investment income of $418,000 for the quarter compared to a loss of $374,000 in 2011. Investment income from funds set aside for future payouts under our deferred compensation plan totaled $390,000 compared to a loss of $404,000 in the prior year. Investment income from our excess cash and marketable securities was approximately $30,000 in both years.

Our effective tax rate during the third quarter was 29.4% compared to 28.1% in the prior year. For the full year of 2012, our effective tax rate is estimated at 32% to 32.5%, which is higher than last year's rate of 30.8% due to fewer available job credits for the current year. From a balance sheet standpoint, on September 23, 2012, our cash and marketable securities totaled $83.8 million compared to $60.5 million at the end of 2011. We ended the quarter with $550 million in total assets and $366 million in stockholders' equity. Cash flow from operations was $107 million for the nine months and we spent $79 million for capital expenditures.

For the full year of 2012, we estimate capital expenditures, including completed and planned franchise acquisitions to be approximately $175 million. We completed the purchase of nine franchise locations in Wisconsin in early fiscal October and are positioned to acquire an additional nine units before the end of the year.

Now, I will highlight trends and provide some additional comments on the fourth quarter of 2012.

For the first four weeks of the fourth quarter, our same-store sales were about 3.8% at company-owned restaurants and 5.6% at our franchise locations as compared to same-store sales trends for the first four weeks in the fourth quarter last year of 6.6% at company-owned restaurants and 5.3% at franchise locations. For the fourth quarter of 2011, our same-store sales were 8.9% at company-owned locations and 5.9% at franchise locations.

In the fourth quarter, we expect to open 24 new company-owned restaurants in North America. Four of these units have already opened. In addition, two of our older company-owned locations

[ph] were closed (15:13). As a reference point, in the fourth quarter of 2011, we opened 18 new company-owned locations. We also expect that our franchisees will open 20 restaurants during the quarter.

For cost of sales, the traditional wing market is trending higher with the price of chicken wings for the first two months of the fourth averaging about $2.07 per pound. This compares to last year's average price for the fourth quarter of $1.42. The potential menu price benefit for increases and adjustments taken in the last 12 months is about 6% for company-owned restaurants in the fourth quarter.

Regarding commodities for 2013, we have renewed our breast meat contract which includes boneless wings through March of 2014 at current pricing. For commodities other than traditional wings, we estimate 30 basis points of cost pressure in 2013.

We have signed a new distribution contract that covers food, paper and non-food product and will begin transitioning locations to the new provider in December with full rollout to be completed by June of 2013. We estimate that the cost savings to our restaurants once implementation is complete to be about 40 basis points, with additional savings to come from inbound freight consolidation.

We anticipate slightly higher labor costs as a percentage of restaurant sales in the fourth quarter compared to prior year to train for the rollout of our new point of sale system and staff for our new service strategy to further differentiate our brand. Conversely, operating occupancy and depreciation expenses should leverage due to higher average weekly volumes and the benefit of the 53rd week.

We anticipate that our G&A expenses in the fourth quarter exclusive of stock-based compensation expense will be approximately $19.4 million. Fourth quarter stock-based compensation expense is estimated to be $2.6 million the same amount as fourth quarter last year. Fourth quarter stock-based compensation expense will vary depending on the level of net earnings achieved with 2012 as well as for estimates of net earnings in future years.

In summary, in the third quarter, we produced net earnings of $10.7 million delivering earnings per diluted share of $0.57. For the first nine months of the year, earnings per diluted share totaled $2.17 and net earnings grew 10%. Our expectations for the full year of 2012, based on the factors just discussed and the benefit of the 53rd week is net earnings growth of 15%.

Please review the risk sections outlined in our SEC filings, including our 10-Q for the third quarter, which will be filed shortly, as well as our Safe Harbor statement for factors affecting our forward-looking statement.

Now, Sally will share some additional facts about the fourth quarter and the year ahead.

Sally J. Smith, President, Chief Executive Officer & Director

Thank you, Mary. We are a vibrant and resilient brand. The economy and marketplace are presenting challenges for every business. We continually monitor and adapt to these changes and have a strong track record of developing strategies that produce successful long-term outcomes.

We have passionate loyal guests, and we're confident in our ability to continue to provide them a rewarding dining and sports viewing experience. This quarter will open the first of our new prototype restaurants. We've refined the restaurant design to make the game a focal point and create an atmosphere that feels like being in a stadium. We're eager to begin rolling the new design into future openings and remodels in 2013.

Our restaurants will continue to focus on maximizing sales opportunities throughout the football season. In November, we'll have a new menu insert that will feature six share bowls that are great to snack on throughout the game.

We'll also begin our holiday gift card promotion in November. Last year, we had great success with this program and it drove about a 2% increase in same-store sales in the first quarter of this year. This November, we're beginning our promotion earlier and we're expanding our gift card distribution with placements in 11,000 grocery locations. We expect this program will help drive incremental business in the future and particularly in the first quarter.

We'll have a strong presence in national media this quarter with spots in NFL and college games throughout the season. In addition to our commercials, we'll have numerous program integrations on TV, along with network radio sponsorships. Our advertising presence will also continue to increase in the coming year. As the college bowl season approaches, we'll be center stage with our new Buffalo Wild Wings Bowl in Tempe, Arizona. We plan to bring the Buffalo Wild Wings' experience to this exciting game for Big Ten and Big 12 teams. The Bowl will generate widespread exposure for our brands and provide new opportunities to engage our guests. Our football promotions will carry into the first quarter of 2013 with a focus on college bowl games and the NFL play-off games leading up to the Super Bowl.

A new menu insert in January will feature three [ph] hearty stacked (20:38) burgers, including our new Italian burger. And if our guests plan to gather with friends at home for these high-stakes games, we'll remind them that wings and the game are a perfect matchup, and our takeout is a great option.

Buffalo Wild Wings fans are passionate, and they like to interact with our brand. This month we surpassed 9 million Facebook fans. Our buffalowildwings.com traffic also continued to increase, and in November we'll launch a new website that will ensure a better user experience across all digital and mobile platforms.

This quarter we'll introduce exclusive content and fun and social gaming opportunities to our guests through interactive TV screens, mobile apps, and tablet-like devices. These new entertainment options will create more reasons for guests to come to Buffalo Wild Wings and will enhance the social and competitive atmosphere in our restaurant. To help engage our guests with these new entertainment choices, we've created the new Guest Experience Captain position within our restaurants. Their role is to focus on interacting with guests in a way that helps customize each experience based on individual needs and interests. That'll encourage guest interaction with our new content, promotions and technology to create a truly unique experience. We expect to have about 100 company-owned restaurants using this new service model by the end of the year.

As we look ahead, we're excited about 2013. We'll begin to realize the benefit of strategies we've been working on over the past year. Our restaurants will begin to have a new look, we have an enhanced guest service strategy, and we'll have new innovations in food, beverages and technology that will help drive future sales growth. And our unit growth will continue. We're on track to achieve the milestone of 1,000 Buffalo Wild Wings restaurants by the end of 2013.

With the success of our recent restaurant openings on the [ph] Coast (22:39), we now anticipate we can become a chain of 1,700 locations across North America in the next five to seven years. Our international growth will also continue as we open new restaurants in the Middle East and Puerto Rico next year, and we'll pursue additional opportunities for expansion across the globe. With this growth and financial diligence, we have a goal of 2013 to achieve 20% net earnings growth on a 52 week basis.

We have an outstanding team with a strong record of achievement. We thank our franchisees, vendor partners, and especially our team members for their passion and their continued dedication to the future success of our brands.

Now, operator, we'll open the call to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] And our first question comes from the line of Bryan Elliott from Raymond James. Please go ahead.

<Q – Bryan Elliott – Raymond James & Associates>: Thank you. Good afternoon. I'd like to drill down a bit on the average weekly sales new unit sales performance. It's pretty apparent there's been a slowdown in new unit volumes. You were opening new units that were consistently doing 60, 65 [indiscernible] (24:16) a week by our math back in 2011. And that seems to have slowed here despite maybe 15, 20 in a row at that sales level. Can you help me understand why that seems to be happening?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think there's the other factor that's affecting the delta we have in our average weekly volume growth, Bryan, is how many weeks are going into that calculation. So if you go back to the first quarter when we had about a 290 basis point difference in what was attributed to NROs, they also contributed nearly 25% of the total operating weeks that go into that calculation. So the third quarter, because our openings are so delayed into the fourth quarter, new restaurant openings only contribute about 15% or 16% to the calculation. So I think it's more of a reflection of the number of weeks that are going into there and the reason why that percent is lower versus the performance of our units.

<Q – Bryan Elliott – Raymond James & Associates>: Okay. So I would conclude from that then that you are still in the 60K plus run rate for the stores not yet in the comp base, ex-ing the acquisitions, growing the acquisition?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yes. Yes.

<Q – Bryan Elliott – Raymond James & Associates>: Okay.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yes. And then when we look at the fourth quarter, because we obviously have a lot of openings happening in the fourth quarter, from our estimation of how many weeks will be in that calculation, about 20% of the weeks will come from new restaurant openings. So we would expect to see a bigger delta, again, between our average weekly volumes and our same-store sales.

<Q – Bryan Elliott – Raymond James & Associates>: Okay. If I could sneak quick one in, could you – I missed a little bit. I was distracted from hearing a little bit about the service change. It sounds like – did I hear it right that you kind of are going to have a hospitality manager on the floor? Is that right?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, we're not calling it a Hospitality Manager. We will still have Front of the House Manager. This person really is – and depending on the time of the day and day of the week, we may have actually one or more Guest Experience Captains on the floor. But if you think about Buffalo Wild Winds, people come in to watch the game, there is different games they want to watch. And as we've gone back and we look, by asking our servers to attend to the games, change the channels, explain Buzztime Trivia, we find it takes them off of the things that they're best at, which is taking the orders, the drinks, getting the food, all of the things that make for a great experience. So we do have, depending again, anywhere from one to four probably Guest Experience Captains that will be in restaurants to assist with whatever the guest needs. And we also talked a little bit about some of the interactive programming that we are going to be doing in restaurants. So the need for that became very evident.

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<Q – Bryan Elliott – Raymond James & Associates>: Well, that's great. So when I go in to watch the Slippery Rock State University game, I'll be able to get it turned on faster. I appreciate that. Thanks, Mary.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: We'll do our best, Bryan.

<Q – Bryan Elliott – Raymond James & Associates>: All right.

Operator: Thank you. And our next question comes from the line of Larry Miller from RBC Capital Markets. Please go ahead.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Yeah. Hey, guys. I just wanted to drill down into the October comp, it looks like traffic slowed and I'm kind of at a loss to explain that. Can you help me with that? I would've thought October was the big month for having some incremental NFL games. Can you address that? And can you also talk about the pricing, was there a push back? It sounds like you were running 4% in the third quarter. Did you get – was there some push back on pricing that maybe caused traffic to slow?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Bryan -- sorry, Larry, I'll try to answer first and then Mary can fill in. But as we take a look at the pricing, we have not seen resistance to the price increases, in fact we should expect our wing sales as a percent of total revenue was actually up. Part of that's due to price increase, but we have not seen a fall-off in same-store sales on wings.

There are a couple of things from a matchup standpoint. We would have had about two-and-a-half weeks of NHL hockey that is delayed at least until November, certainly not a huge driver, but adding sales in restaurants. And then if you take a look at the baseball playoffs, last year we had a number of company markets with Texas and this year the games are primarily in franchise markets. So we've seen that as well.

The other thing is, as we look at our advertising in the fourth quarter as compared to prior year, October is flat to slightly up on the spend, partly due to the election campaign – the election ads that you're seeing and not being able to buy or even get time on. And so we have a bigger waiting in November and December, a bigger dollar spend in November and December on our advertising. Mary?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I'll just go through the events. Sally covered some of them. But you're right, from NFL games, we did have four more Thursday games in October, which would be an up for us. On the USC side, we had equal games, or equal pay-per-view events in this year and last year in October. Sally mentioned the NHL. There are some market setback matters and there were two and a half weeks of missed games in October. And then from the MLB, last year, Milwaukee was in National League Championship games. Texas obviously was and then went on to win the World Series. Texas has been a big company market for us. This year the four teams that were in the championship and then going on now to the World Series, they're all franchised markets. So that's really more of, I think an explanation of why we're at 3.8 and they're at 5.6. I think you have some trade-off of sales there.

From a couple of other things that stood out for us, in October that it stood out for other concepts. We do see non-alcoholic beverages being down a bit. I think that's something that other people are seeing in the industry. One area in October where we were particularly strong last year was in the menu panel that we had that highlighted appetizers in our table-gate strategy. We found that our menu panel in October this year we don't think is drawing as much sales and so we are swapping that out and putting in a new menu panel for November. And we think that there's some benefit we'll see from that.

And then, something that we noticed in the second quarter that we are addressing through some media here in the fourth quarter is that the unlimited wings program that we ran this summer, we ran from July to – about 4th of July until Labor Day. Last year we ran at Memorial Day through Labor Day. We felt like that did a better job of building sales for the fall. And so, we are doing some of our national radio being tagged with a lunch [ph] message (31:34) as we go into November and December.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay, great. And then, just if you can give me a sense of the fourth quarter, because the comparisons get a lot tougher now and but you're going to be running some more price and you have some of these – you're addressing some of these issues. I know you don't like to give comp guidance, but do you think we'll be seeing at least positive comps again? The two-year trend would imply that it wouldn't be positive.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think we firmly believe that we will see positive comps. I mean, we're still we're positive in four weeks into October. And again with the additional or with the staff-weighted advertising spend in the fourth quarter that should certainly drive as well as the ability to tag the radio comment. So we are anticipating positive comps.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay. That's very helpful. Thanks a lot, guys. Appreciate it.

Operator: Thank you. And our next question comes from the line of David Dorfman from Morgan Stanley. Please go ahead.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: Thank you. I just wanted to dig into the guidance for 2013 a little bit; maybe just a couple of questions on it. One is when you say 20%, is that more of a general restatement of how you think about the long-term guidance? Or is it really specific to your view of the dynamics next year? And then, sort of building on that, when you think about the impact of the extra week [indiscernible] (33:08) actually get to a dollar number next year, what is the magnitude you see in the fourth quarter, so we see what sort of base to build off? And then finally, if you can talk about sort of your wing price assumptions, I know you've talked about trying to get sort of the cost of sales lines below 31% again and even lower long-term. You have a lot of pricing now, so how do you see that playing out? And maybe some of the sensitivity of wing prices to your guidance. Thanks.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Sure. As we look at the 20% number, I think it's both. I think it's both long-term aspirational, but that we believe that we can achieve 20% given some of the programs that we've put in place this year. We don't know what the effect of the 53rd week will have yet this year. That's why we did put the caveat in there, 20% on a 52-week average depending on how that 53rd week comes in.

We have a number of restaurant openings in the fourth quarter this year. We'll have about the same number of restaurants opening next year, but we've had a real conscious focus on pre-opening expenses. And we've seen that come down a little bit. One of the things that we did talk about in the second quarter conference call was working hard to get our new restaurant opening labor in the line. Offsetting that, of course, will be the Guest Experience Captain. And we look at rolling those. The guest experience program is very similar to the labor that we see in the new restaurant openings. So with regard to chicken wing prices, I think I'll let Mary talk about that.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Great. Yeah, on chicken wing prices, our thoughts on that for next year is that we're going to continue to see it high in the first quarter. It's trending at [ph] 207 (35:02) for the first two months of the fourth quarter and we think it's going to get higher than that as we go into Super Bowl. But then most industry reports are saying that there should be some moderation in the latter half of next year. So I think that we can get to the net

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earnings at a 20% in a variety of ways, but obviously a little bit of help on the cost of sales line makes it easier.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: It would just seems to me that if that's your view, I don't know if that is your baseline view in the 20% number, but you should have a lot of upside to that to 20% of a 52-week basis, if you consider that you had – it looks like you're trending something over 60% wing inflation this year and next year, if you assume – I don't know if you're saying it may be flat, but you have some offsets in the cost of sales line. It just seemed like if you actually were able to achieve flat or even some leverage on that line, which it sounds like you may be shooting for the full year, whatever 20% turns it to be, it could actually be well above that if that line cooperates. Do you see that sort of upside? Or do you think it will actually be a struggle to get to 20%?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, I think we'll have much better insight into that when we get to the February call because obviously we'll know our results for our 2012 year. And I think what we were looking at for 2013 as moderate same-store sales increases in the 3%, 4%, 5% range versus what we saw last year. So I think again when we look at this, there is different sales ranges as well as different cost of sales assumptions that you can make and still get to an answer that looks like 20% is an achievable goal for 2013.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: Okay, thank you.

Operator: Thank you. And our next question comes from the line of Jeff Farmer from Wells Fargo. Please go ahead.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Thank you and good afternoon. I think a lot of us have heard this over the quarter, but could you just walk us through again how you actually got up to 6% in pricing, what the major pricing actions were over the last couple of months to get you there?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. We took three different events in the third quarter. We took a many price increase in July. We took another one in August that was rolled a different market at a different timing, so there was not just a set point, August through September, that regular menu pricing for our Wings and our Boneless Wings, higher. Then we also raised our Wing Tuesday pricing from $0.50 to $0.60 at our company stores. And again that rolled at different times in different markets; many times timed at the point that that market was seeing the larger wings being delivered into their stores.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. So as of today, you're at 6%, it's not that you're going to work your way up to 6%. You're at 6% right now.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We are, yes, starting at – the beginning of fourth quarter we were at a 6% mark.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: And is it fair to assume that there is probably nothing else coming?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Nothing currently planned. I mean, Sally talked about the test that we're doing that is more the flexible portion sizing on the wings. So that's not so much a menu price increase as it is a different way to get the cost of sales peak under control, but that is a different look of the menu that some of our stores have, and we're working through that test, and we'll see what we can implement in 2013.

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<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think the other thing is the rest of our commodity basket looks pretty flat as we go into 2013. I think Mary said we'd have an increase exclusive of wings of about 30%.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: 30 basis points.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: 30 basis points, excuse me, with an offset of about 40 basis points from our new distribution contract.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: And then just going back to your test, I think earlier this summer in, I think, the Colorado markets, you were looking at the 5, 10, 15, 20 wing counts, looks like consumers, for lack of a better word, rejected that fairly quickly. Does this sort of volume test look like it could be a little bit more of a keeper and look like you could have a little bit more legs?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: When we tested the 5, 10, 15, 20 wing counts, the feedback we got at that time was we would rather have six charges more. I think at that point we didn't have the larger wings in our restaurants, so we were, at this point, six is really a big order. So we are looking at different points at which that same menu price would have five wings instead of six, or seven depending on what the size is. So we think it's a more fair way, because we've had issues both ways, smaller wings in the past, as well as bigger wings.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. And then just coming back to one of Bryan's earlier questions on unit productivity, it wasn't clear to me. So as you get out to 2013, is there an opportunity for that new unit development tail end to make a return, or is it sort of gone now we think?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, definitely fourth quarter, we get some of it back. You have to ex-out the franchise acquisition piece that we have that will be affecting us here for the next quarters ahead. But first quarter when we look at our pipeline of deals we have, we think about 10, maybe in the 15 range that will open in the first quarter, so we're definitely more weighted the front of the year than we had been this year, so I think we have the potential to see that delta stick around for a while.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. But I guess more in terms of, sort of, just development in these higher penetrated markets that sort of give you those higher volumes, is the class of 2013 as it's constituted right now, look like that could be a higher volume class?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, they're still on the coast, so dense population. And I think as Mary said in answering Bryan's question, we're still north of an average unit volume on new restaurant openings of 60,000 plus. And as we look at the remainder of the fourth quarter, a lot of that development is still coming from the coast.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. And just one more, obviously about half of your development for 2012 is going to come – it looks like in the Q4, so just from that perspective, it sounds like you're pretty confident you can get those restaurants opened. But also from a restaurant level margin perspective, do you expect to see some pretty material headwinds associated with inefficiencies either in the fourth quarter rolling into 1Q 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, new restaurant opening – new restaurants do tend to run a little higher on the labor side. I think what we have seen this year is that we've done a really nice job of bringing them back into line quicker. And so they do march that labor back down. So, from those stores I think we could see a little bit of labor. We have accounted for that in our conversation about the fourth quarter labor, saying that we think we'll be slightly up the prior year.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: All right. Thank you.

Operator: Thank you. And our next question comes from the line of Jason West from Deutsche Bank. Please, go ahead.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Yeah, thanks. Just want to come back to the same-store sales trend you guys saw into October. I guess it was surprising that it slowed that much given I think the NFL would have had the biggest impact of anything within the overall makeup of the comp. So was there any broader slowdown that you guys felt kind of took place through the quarter on the consumer side, if you saw it in September and then that kind of continued into October?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think when I – specifically talking about the Thursdays in October, where we would think we would have big ups on the NFL games, a lot of those Thursdays also ended up being Texas Ranger game night. So we were up on those bids, if not up as much as we thought we would have been.

<Q – Jason West – Deutsche Bank Securities, Inc.>: But is there any way to tease-out if there was sort of more of an underlying slowdown in traffic and sort of consumer spending kind of away from the schedule?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, nothing that comes to mind. I think we did call out that beverage sale are flat or down, did not contribute to same-store sales. As I said – as we said, we think the consumer is fine with the price increase as we've seen still many sales on wings, but nothing really – I can't really call out anything, the menu insert that had more sharables last year really drove appetizers and sharables, which had a higher price. The first six weeks of the football season with that menu panel probably wasn't as robust in suggesting sharables and appetizers that is we are changing that menu panel out for – I think it happens in November.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay. And then you'd mentioned tagging a lunch, again, in November/December. Is that going to be an unlimited wing promotion that you didn't do last year or you just mean sort of reminding people about lunch?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, just reminding people about lunch. And then we do have co-op media that's being placed in the fourth quarter. There was conversation about adjusting the metrics that goes from the co-op radio side.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay. And then one other quick one on the inflation, you guys mentioned 30 basis points of non-wing inflation. Do you mean margin pressure there, 30 basis points or is that actually the percentage increase year-over-year that you're referring to?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: It would be what we would think our cost of sales percentage would change on a year-over-year basis.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Well, what would the actual inflation – I think normally you talk about, Mary, sort of like whether it's low single-digits, mid single-digits, if you could put it in those terms for us.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, I don't have that in front of me. That's pretty little. I'm going to say it's 1.5% maybe, 1.5%, 2%.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Just when...

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: ...you take out the breast meat.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yes, the breast meat being flat year-over-year.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay. So, sort of very low single-digits on everything else.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yep.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay. Thank you.

Operator: Thank you. And our next question comes from the line of David Tarantino from Robert W. Baird. Please go ahead.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Hi, good afternoon. First a clarification on the October comp trend and perhaps, maybe you don't have a frame of reference for this. But I was just curious to know if there's ever been in the recent history, months in the past where you've had flattish type advertising year-over-year and what you think the impact of maybe not having the growth in advertising that you're used to having might have had on the trend line here in October? And perhaps the answer to that might lead you to make a projection about what would happen if you start to resume healthy growth in November, December.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, I don't know that we'll make a projection about what will happen with comp sales in November and December. But this is an election year, so we were proactive in not placing media. I mean we have media obviously, you see it in football in October, but it – and it's up slightly over last year. Last year was probably a very high medium for October. We back weighted it because of the election for November and December. As we look at our comp, certainly media drives it, drives some of the same-store sales, more media doesn't hurt. So, I would think that given the fact that media will be up significantly over prior year in November and December that we should see that translate [ph] this year (46:53).

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Okay. And then maybe a follow up to that, if you think about the guidance you have for the year of 15% earnings growth, what type – maybe I'll give it a shot at sort of what type of comp range might be required to hit that level as you think about Q4?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Right. Well, I think we could stay where we're at today, David, and we would still hit our 15% goal for this year.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Okay, that's helpful. And then I guess maybe back to a question that was asked on the cost of sales line for next year, Mary. I guess if you take the 30 basis points of pressure that you talked about, I assume that contemplates the pricing that you've already taken recently. Does that factor in any additional pricing that you might take as you move into next year or the change in the way you sell the wings?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No, it doesn't. Yeah and it also doesn't take in the savings that we'll have on the distribution contracts. So I think our point was that when you take wings out of the equation, there isn't anything that we look at from a commodity standpoint that we think is going to be affect this next year. We're going to be pretty flat other than wings and if wings do what the industry reports say and go down later in the year, we'll actually see some upside on our cost of sales line, which is probably the opposite of what a lot of other people are talking about for next year.

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<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Great. That's helpful. Thank you very much.

Operator: Thank you. And our next question comes from the line of Brian Bittner from Oppenheimer. Please go ahead.

<Q – Brian Bittner – Oppenheimer Securities>: Awesome, thanks. Hi, guys. Real quick, Mary, I'm sorry I had to correct you. The Rangers played in all seven World Series game while my St. Louis Cardinals did win it all. And we got knocked out last night, so being the 2011 World Series Champions is the only thing keeping me from falling off the deep end today. So I just had to make sure that everyone knows that we won...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: My apologies, yeah my apologies.

<Q – Brian Bittner – Oppenheimer Securities>: We won in game seven.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. Seven games is good though, in either case, whether it was you or Texas, seven games would be great for this year as well.

<Q – Brian Bittner – Oppenheimer Securities>: And I think that's a good segue into my question, because I'm sorry to keep – everyone has been asking about this. But the comp trends, I mean with 6% year-over-year pricing, it just seems as though traffic has turned negative a couple of hundred basis points. And I guess the question is, is that not broad based? Is it really all because of the 37 company-owned stores in Texas? Is that really the primary reason for a negative 2% traffic trend?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I don't know that we can just point the Texas Rangers only for that, I mean obviously if we have a menu price increase, that is at 6% level and we have slightly under 4% from a same-store sales we would say that probably traffic – there has been some lost traffic. When you take all of the event stuff, I mean, that it does get a little complicated for us here when we're in our peak sporting season on how much did NHL matter for games, how much does the change in who plays in games matter. I mean, at the end of the day we really can't change any of that.

I think what we've focused on are the things that we can change for the future. So looking at lunch trends, which we think are not quite as vibrant as we'd like them to be, what can we do about that? And we think some media behind that is effective. Looking at the panel, the appetizers, and the change that we've seen in our sales there making a change on our LTL panels for November and seeing what we can push, working on the whole guest experience side of it. So as we roll out the Guest Experience Captain, and we'll have 100 of those restaurants in place by the end of the year, we think there are incremental sales that come along with that. Otherwise why put the effort behind it? So, I think we're really focused on that piece of it.

From Sally's comments, which does hold us from are we getting guest feedback related to pricing? Do we see negative guest comments come in because of it? We don't. And we're not hearing that from our operators either. So we do think you just have to watch your hospitality really close, look at your media plans, making adjustments where you need to and stay focused on getting another guest in the door.

<Q – Brian Bittner – Oppenheimer Securities>: Okay. And can you just comment on, just help us understand why we should be so confident about why the higher pricing isn't causing some type of push off at all? I mean, what's the commentary around pricing not causing any push off? What's the analysis that kind of suggests that?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, I don't know that – I would say that it's not driving traffic out of the restaurant. People – the comp sales or the sales on our wings exceed the

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price increase by a significant amount. Our operators and the managers in the stores are the first ones to raise their hand if they start hearing comments about pricing. And as we said, we rolled that wing pricing at various times through August and September, both the on the menu and the Wing Tuesdays. I think the fact that we rolled over time and didn't hear push back that's relayed it back from our guests through our managers gives us confidence that it wasn't and isn't price. And then as we take a look at our guest comments and with the guest comment line, in the past, this goes way back because we've only taken minimal price increases in the past, in the past we would have heard about it.

<Q – Brian Bittner – Oppenheimer Securities>: Okay. And one last one. On 2013, and again, I know this was asked earlier and I'm still a little bit confused. On the 2013 guidance, when we kind of put out our 2013 earnings estimates here, as far as that actual EPS number 20%, I mean, how do we try to triangulate to that without knowing what the 53rd week impact is going to be on 2012?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. It does make your job harder, [ph] Will (53:30). And we haven't given a specific estimate on that because from a sales standpoint that does for us tend to be a pretty big week. And really until it happens we won't know what the total impact to the bottom line is. So I'm afraid on that piece you're going to have to make some guesstimates on what you think are full year – we've said the full year ought to be up 15% in growth. You're going to have to make some guesstimate on how much of that is attributable for the 53rd week.

<Q – Brian Bittner – Oppenheimer Securities>: Okay. And then, I'll just sneak in one last one. Did you guys provide an assumed comp for next year because I know that you have at least in the first quarter some very tough comparisons. I'm just trying to gauge what type of comp you're expecting to get there?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. Just from basic numbers on how to get to the 20% net earnings growth, I think you can take some moderate low-digit same-store sales and get an answer that's at 20% on the bottom.

<Q – Brian Bittner – Oppenheimer Securities>: Got it. Okay, thank you. Go, Cardinals!

Operator: Thank you. Our next question comes from the line of Will Slabaugh from Stephens. Please go ahead.

<Q – Will Slabaugh – Stephens, Inc.>: Yeah, thanks. I wonder if you could just talk a little bit more about the testing of the flexible portions in the 60 restaurants that you mentioned? And then, any sort of commentary around the cost of goods sold benefit that you may have seen in those restaurants?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, I don't know that we can break out the cost of sales what we've seen in the 60 restaurants. But part of testing it is certainly to get guest feedback on their perception of the non-quantity and training our team members to talk about how many a snack is serving today. Our goal of certainly this test is to see do we need to – we've got a pretty wide grid as to okay, there's this balance at this ounces that should be six wings per snack order and not, of course, and wanting to really kind of stay at that or do we take a look at the per – the number of ounces in the – trying to target an ounce amount each day. So I don't know that we – our goal as we've said is to recoup some of the loss margin and cost of sales by moving to the flexible portions.

<Q – Will Slabaugh – Stephens, Inc.>: But at least safe to say without getting into too much detail there that you're seeing some of the benefit there as you implement that in the testing phase?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, we've just – it just rolled. So we have a couple of weeks on it. So, from a guest feedback standpoint on the sales side, we have just some initial comments but we haven't done the full piece on that. And then we have both company and franchise restaurants testing that and we have different weight points at which the decision to put either five or six, or seven, into an order happens. So, we are testing variations on that as well to see if there is a different consumer perception. It's really going to take us through the end of the fourth quarter to get a feel for trends because you have to have multiple visits for somebody to really understand how it's going to affect their behavior.

<Q – Will Slabaugh – Stephens, Inc.>: Got you, fair enough. And then, I wanted to ask you, I think, you were asked a little bit earlier about pricing into next year and I just wanted to get your willingness on continuing to hold that relatively high pricing through 2013 and I know you have some rolling off beginning the first of next year. But just kind of talking about how you expect that pricing to trend next year, assuming wings were to stay where they are and that if we were to have inflation if you'd be comfortable holding pricing again in that sort of mid single-digit type range?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I mean, I don't think we've come to the point to make any pricing decisions for 2013. Obviously, the test we have on the flexible portion may play into whether or not we take additional menu price increases where wings go in the first quarter and whether we think there is going to be any fall off from that will affect our decision as well. So, I don't think at this point we can give you accurate guidance on what we think menu pricing will be for next year.

<Q – Will Slabaugh – Stephens, Inc.>: Got you, thank you.

Operator: Thank you. Our next question comes from the line of Jeffrey Bernstein from Barclays Capital. Please go ahead.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: Thank you. Just a couple of follow-up questions. One, just on that flexible portions that you were just discussing. I'm just wondering, I think you said 60 units have it now. It sounds like you said the system would get it in the first half of 2013. So I just want to make sure it's not dependent on success or failure with this test. It sounds like you feel confident enough that this is being rolled out in the first half of 2013 across the system, or is there – is it dependent on the test, and therefore it might not happen if you see enough push back or what not?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: No. I think we are committed to the flexible portion. What we want to make sure is that we train it correctly and that means in the heart-of-the-house and the front-of-the-house. So the cook time, if you weigh the wings once a day, twice a day, or you're shooting for, let's say, a number of ounces in a portion versus what you ultimately are, but we have a pretty wide range that the stores can use in determining if it should be five, six, or seven in the snack.

But no, we are committed to rolling this out system-wide. And we just want to make sure that we do it the right way. And part of that involves guest research and listening to our guests, training that today the snacks serve six or today a snack is seven, or today a snack is five. I think letting that guest know ahead of time is important so they have expectations of what they're going to get.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: Got you. Okay. But there's no sensitivity in terms of how much traffic you're willing to lose if you found that it was losing some traffic because of it. It sounds like it's a go regardless?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think it's a go regardless. And I don't think we're going to get pushed back on it from our guests.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: Great. Okay. And then just on the unit side of things, I know you gave us some color on the 2013. I'm just wondering if you could talk a little bit about 2013 and beyond. One, just kind of constraint the faster growth I didn't know if it was related to people, real estate. I mean it sounds like you raised your target to 1,700. I'm just wondering what the constraints are if anything? And perhaps what you envision in terms of the company-operated versus franchise mix, obviously there's been some acquisitions recently. So is there some sort of a target or where would you like to end up a year or two from now?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I just have to go out beyond a year or two when I – when we talk about the percentage of company versus franchise. We're north of 40%. And I think anywhere between 40% and 50% on the company side. Again it has to make sense for us strategically to purchase franchise locations. We have other franchisees that would like to also purchase some of those locations. And so I think if we're shooting for 50% that's a long-growth range number.

When we talk about ramping up growth, I think opening 100 restaurants is pretty robust growth. Obviously that percent of units that the unit growth ends up declining over time because you've got a bigger denominator, I don't know that we want to take on additional head count, whether it be in real estate or training and all the things that support your development pipeline just to get an additional 10 units in a year. Right now, we're pretty comfortable with that 100 units a year. It makes sense for us. And I think as importantly as the number of units is how you drive average unit volumes in the restaurants, both in existing restaurants. I mean we've had success in average unit volumes in some of the new openings. But now let's go back and make sure we're driving average unit volumes in the stores that have been opened for a year or 30 year.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: Got it. And then just my last question relates to kind of re-hitting what people are talking about with the 53rd week. Obviously you're not giving specific color, although there must be some range that you have to come up with that 15%. But is it reasonable to extrapolate? I mean it would seem easy enough to extrapolate the 2006 impact, which I know you guys quantified, which would push it to north of, I mean, you're talking about $0.20, $0.25 of earnings. I mean is it not reasonable to assume a similar level of lift, kind of on a percentage basis versus where it was in 2006, any reason why that wouldn't work for reasonable?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I just think we're a very different company than we were back in 2006 and based on our size and...

<A – Sally Smith – Buffalo Wild Wings, Inc.>: And [indiscernible] (1:02:31)...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: And, yeah, I would say that it would be – I wouldn't necessarily leave to have that as a proxy for what the amount would be for this year.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: But you don't necessarily want to share what you're doing with 15%?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No – yeah. No – yeah, we don't. We're going to – it really depends on what kind of revenue ends up coming in. We have steered that from a expense stand point, occupancy, depreciation doesn't have any extra expense for the 53rd week. A lot of our G&A does, because it's mostly headcounts and we do pay people for that extra week. So, you don't get leverage down there. There will be some at the operating expense level at the restaurants, but really until the week happens it's hard to know how different that week – that holiday kind of week timing acts to a normal week. So, I think it's even hard for us to estimate internally how big the week will be.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think the other thing to point out is we have, as I mentioned, we have two additional franchise acquisitions totaling we could acquire up to nine additional stores between now and the end of the year. If that happens in the last week of December, we're going to have some expenses related to that as we get teams down there to transition. As we looked at revenue in the third quarter, we did anticipate in the third quarter closing on the acquisition that we made that actually ended up happening on the first day of the fourth quarter, we thought that would happen closer to the beginning of September, the deals all take time. And so there is – it's not that we don't want to quantify that 53rd week, but I think there is still just a number of unknowns that we don't have in order to give any kind of guidance that would be reliable.

<Q – Jeff Bernstein – Barclays Capital, Inc.>: Understood, we'll have to do some analysis. Thanks you.

Operator: Thank you. And our next question come from the line of Matthew DiFrisco from Lazard Capital. Please go ahead.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Thank you. I apologize, but I'm going to try and beat a dead horse from a different angle. I'm just looking at as far as, I know a couple other companies that have had this 53rd operating week, not only effected the fourth quarter it's also actually had an adverse effect to the first quarter of the next year. Looking at that sort of on a comparison basis, you're not going to have a – the weeks leading up to New Year's Eve, for instance, falling into your first quarter as you did this year in 2012. On a comparative basis, should – I mean, I guess, the inclination would be also with Easter falling into your first quarter of 2013 versus not falling in 1Q, 2012 and your college exposure. I would think that you'd want us to be a little cautious as far as some adverse – a basket of adverse holiday shifts, not only the weather in 1Q 2013. Is that sort of correct to characterize that?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, I think what – when you look at the first quarter of next year what we'll have is one week less of NFL, regular season. So that is the – 53rd week is week 17, I believe, is the season. So we will have one week less of NFL for our first quarter. And then, timing on March Madness actually is the same. So we do end up with two weeks of March Madness in our first quarter in both 2013 and in 2012. So that piece stays the same. Some of the other stuff that you mentioned, New Year's Eve is not a big night for us. Easter, typically the bigger thing for us for Easter is whether, it's within the March Madness, first two weeks of the tournament. Otherwise where other people have big sales on an Easter Sunday that isn't typically what happens on ours unless it's a basketball weekend.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: I'm thinking school vacations. And I was just thinking of the week leading up to New Year. I know that New Year isn't big. I'm just saying that the week leading up to it with the holidays.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, definitely. That typically is a big week for us. We have the big gift card – retail gift card program that we're expanding this year. We had big redemptions right after Christmas. We would expect to have a big week with bowl games and NFL and the whole deal going on in the 53rd week. So yeah, that is a week what we will not have as our first week in our first quarter next year.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Right. And then just as far as pricing, you're running 6% now and you did through all of October, correct?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, yeah.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: And when is the first lap of a increase you took that's contributing to this 6%? Is it in the fourth quarter or the first quarter?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I believe it's in the first quarter.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I believe it's the first quarter as well. We had a – I think we had a menu rollout in January last year.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. It was mid-January of last year. So there will be a piece that will roll-off by February.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: And that's – was that 1.8% – I have down in my notes?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think it is one point – yeah, it is about one point – yeah, 1.8%.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: And then the $2.07 number for wing prices. I just want to understand that. Is that a current price that you're running now and you're buying on an average cost basis that you're sort of extending through the first two months of 1Q, 2012 or 1Q, 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: The $2.07 is the average for October and November and the market has actually gone up since then.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: So we should actually even be more conservative looking into 1Q?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Potentially. I mean, you never know exactly what wings are going to do, but industry reports are saying that they think there will be higher prices into the first quarter and then some moderation from the second through the fourth quarter.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And then, two last questions, I promise. Just as far as – did you give any guidance on the accretion that you're getting from these acquisitions or looking at them on an annualized basis increasing that they'll be towards your 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We haven't, no. I would say that the stores that we bought in Wisconsin are about similar to what our average is for the stores that are in a more mature market and then some of the other stores that we have queued up [indiscernible] (1:08:59). The remaining nine for this quarter are slightly higher than that. So the way that they would respond from a cash flow standpoint would be pretty similar to our base.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. So they are accretive in contributing to both 2012 and 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. We'll have a little bit of regional manager infrastructure that will go with them. We'll have a little bit of transition expense not like the preopening that we have for new restaurant openings, but there will be a little bit of expense that goes along with making that transition to our stores, but they are cash flow positive and will act like our other stores do.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. So I'll just do the math and figure out the pending profit, I guess. And then, looking at the COGS, as far as you've given in the past how much sometimes the selling in numbers, buying in ounces, how that is affected, rather than just doing the raw math of 19% of your cost of goods sold going up 70%, you've also given us the basis point hit from the adverse behavior of buying in ounces and selling in units. Can you just tell us what that trend is right now, or what it was in the current quarter?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah...

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<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: How much that hurt your business?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, I'll give you the two, well a couple of points. So we were at $1.97 in the third quarter versus $1.16. So that would have been a 70% increase year-over-year, but with the size difference, we ended up being about a 90% cost year-over-year. And then the other point that helped some people is from our cost of sales. The percent of that that is wing related in the third quarter was 28.2% and that compares to third quarter last year of 18.1%.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Excellent, that is very helpful. Did the beverage mix also, given that you lost a percent of the alcohol mix, did that also have an adverse effect to COGS and should we – is that a trend that continues to go throughout into October?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think that's more of a relations or the effect that our menu price increases that we took in August were specifically wing and boneless, wing related. So, we went up from 20% to 21% on our wings, but we had a significant menu price increase that went along with that. So I think it's more a reflection of the menu price.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Well, that's good to know. So, you're not seeing lower drinking occasions?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No. Yeah. Yeah, we didn't, I don't believe so. And our pricing is pretty static on that year-over-year.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. Well, you'll have some Texas Ranger fans and Cardinal fans drinking, so that will be good. Okay. Take care.

Operator: Thank you. And our next question comes from the line of Chris O'Cull from KeyBanc. Please go ahead.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Thanks. Sally, based on the way the flexible menu is structured, is it reasonable to assume it would be neutral to the average check?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Based on the flex, I mean, the – with the [ph] percent (1:12:16) versus the number, it is based on the way that we're currently testing it. So we did leave the pricing for the smallest order, six wings in the past versus a snack is what we're calling it on the test menu. We did leave the menu pricing similar. In the future, you could make a menu price increase on that if you chose to. But the test is being done more from a cost of sales side, not from a menu price side.

<Q – Chris O'Cull – KeyBanc Capital Markets>: So, right. So the average check in terms of menu mix change and just the effective price increase, you really shouldn't see an average check lift from this new menu?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I don't believe so unless it changes people's buying habits for some reason. And again, we won't know that until we get the tests done.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. And Mary, if you don't take any additional pricing in 2013, what would be the amount that the company stores would average just from the increases taken this year that would roll into 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, it would start rolling off during the year, so we would start the year with the 6%. And then I think it was about 1.5 rolls off in the first quarter and then you'd see that go down to zero, obviously, by the time you got to September.

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<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. Okay. And then lastly, the increased gift card distribution that you're expecting this year. Is that because you've joined the Blackhawk Network or...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: It is, yeah. So, we've been able to add the grocery piece to our distribution, which we're really excited about. So, it's about another 11,000 locations that we'll be in and we might be in there now, but definitely for the holidays.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Most of the redemptions typically occur in January, or do you see quite a few now in December?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We will. This year we'll have a few that will hit the 53rd week of December. Otherwise, like last year, our fiscal December ended on Christmas week. So, it was mostly a first quarter event. We quantified about 2% last year that was a lift in same-store sales in the first quarter. Heavier in January and February than in March, but we also saw additional sales in the third quarter.

<Q – Chris O'Cull – KeyBanc Capital Markets>: This year?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yes, really coming from the grads and dads kind of time period. So we think it's just a nice uplift throughout the year. And obviously when we can increase by the kind of units that we're going to increase this year for holiday, we think it will be really helpful for the first quarter.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Great. Thanks, guys.

Operator: Thank you. And our next question comes from the line of Nick Setyan from Wedbush Securities. Please go ahead.

<Q – Nick Setyan – Wedbush Securities, Inc.>: Hi. Thanks. Just – you kind of mentioned that the attach rates were a little bit lower this year than, or at least in October than last year. So can you maybe parcel out what the transaction sort of impact was or this transaction deceleration was versus like mix?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think we couldn't quite hear you. Were you talking about tax rates?

<Q – Nick Setyan – Wedbush Securities, Inc.>: No, no. What I was saying is the attach rates you guys mentioned in terms of the appetizers and the non-alcoholic beverages not being as high as say last October. Could you maybe parcel out the mix versus the transaction deceleration that we've seen in October? So it's clearly not all transaction deceleration, maybe – what's part of that was maybe mix?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No. Yeah, and I don't know that we can give you a great breakdown on that. I know last year in our third quarter script we did call out the increased appetizer sales that we had from our menu panel and this year when we were looking at the appetizer category, particularly in October, we didn't think that we were seeing, we didn't see as good a trend as we did last year. And we had focused more on shareable appetizers that had a higher price point and we weren't seeing as many of those being sold this year. So, we have adjusted for that with the November panel and so I think we're going to see that trend turn around. But I don't know that I can give you a specific as it relates to sales mix or same-store sales component of that.

<Q – Nick Setyan – Wedbush Securities, Inc.>: Got it. Got it. And do we have sort of some timing expectation for the closure of these new franchise acquisitions in Q4?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We don't. Yeah, a lot of it for us depends on liquor license approval and that piece of the transaction isn't always timeable. The nine locations that we bought in Wisconsin we had thought we would be able to close on earlier in September and it didn't end up happening until the first day. It happened in September, but it was the first day of our fiscal October. So, we do feel confident that these nine will get done before the end of the year because they're highly motivated with the fiscal cliff out there. So they will hit our operations sometime before the end of the year, but timing that is pretty hard to predict right now.

<Q – Nick Setyan – Wedbush Securities, Inc.>: Got it. And then lastly, you guys mentioned some of the industry publications around wing cost. At least one of them hasn't really shown an increase in wing cost going back all the way to July. So could you maybe sort of talk about the difference between what that's indicating and what you guys saw in Q4 versus Q3 in terms of the increase in price of the wings?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, I can't really account for that. I know there's some free publications out there that people use in order to try to get a gauge on where wing prices are headed for us. We have talked that ours is very specifically from a context standpoint based on the [ph] Ernerberry Industry (1:17:48) statistics. And I think you'd find that our trends on wings follow very closely to that.

<Q – Nick Setyan – Wedbush Securities, Inc.>: Okay. Thank you.

Operator: Thank you. And our next question comes from the line of Conrad Lyon from B. Riley & Company. Please go head.

<Q – Conrad Lyon – B. Riley & Co.>: Hey, Mary. Hey, Sally. Hey, I'll be quick here. Just want to talk about the actual amount of protein added on the menu with the wings, with the menu price increase. I know you talked about taking up the pricing considerably for the traditional wings. Can you give an idea how much more protein was added or perhaps the yield per pound?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. The different – meaning the size – if we were [indiscernible] (1:18:36)...

<Q – Conrad Lyon – B. Riley & Co.>: I'll be more specific. For instance, the calorie count, at least in the markets I'm in went up by about almost 50%. Does that necessarily mean that the wing size went up 50%, or the amount of protein?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Actually I think it went up and again, now I'm – we looked at this back in July, August. I think the – on the thinking of that menu, the traditional wing was – at the smaller size was about 1.25 ounces and I think the calorie counts on the new – on the jumbo wing is somewhere at the 2.25 ounces. But, again, that's just picking a number. So...

<Q – Conrad Lyon – B. Riley & Co.>: Okay.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: It did go up and it could have gone up by about 50%.

<Q – Conrad Lyon – B. Riley & Co.>: Got you. Let me ask it this way. Was the menu price increase intent to protect margins or be accretive?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, the intent of us taking the August menu price increase and then the Wing Tuesday price is that we were assuming that wing prices were

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going to stay high, that we were able to get our cost of sales back under 31%. And we were at 31.2% in the third quarter. Wings have gone up from an average since then. And so, I'm not sure if we're going to be successful at that at a $2.07 per pound price point. But that was really the initial intent thinking that if wings would fall back down to $1.90 or $1.85 or something that was more normalized that we would get close to – get back to our 30% sort of cost of sales range.

<Q – Conrad Lyon – B. Riley & Co.>: Got you, got you. Let me shift towards the boneless. They – at least again in this market I'm in experienced a nice increase too in price. But it – I think there the calorie counts did not. I just want to make sure there was no – was there any change in the portion sizes with the..?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No, or the way that – yeah or with our spec as it relates to that pricing, it would have stayed the same.

<Q – Conrad Lyon – B. Riley & Co.>: Yeah. I got you, okay. Last question. It also looked like between July and August, if I remember correctly, those [indiscernible] (1:20:50) menu prints, ribs were taken off the menu. Any sense if that was a net positive taking them off?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, they were just a very low sales volume item for us, so I think we think we can do ribs better in the future in some way...

<Q – Conrad Lyon – B. Riley & Co.>: Okay.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: And sales, I don't think we're impacted one way or the other by taking it off.

<Q – Conrad Lyon – B. Riley & Co.>: Got you, okay. Thank you.

Operator: Thank you. And our next question comes from the line of Peter Saleh from Telsey Advisory Group. Please go ahead.

<Q – Peter Saleh – Telsey Advisory Group LLC>: Great, thanks. So, I guess, my question is on the COGS line. I know you had talked about getting back to that 29% to 30% range. Is there some timing on that? Do you still expect to get there by the first quarter of 2013?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, I think it's difficult if wings stay where they are to get back to a 29% to 30% cost of sales in the first quarter. But I think, we think that that is a longer term average for us and so you'll look at how you see wing prices reacting and other commodities as well and see if what kind of menu pricing you can save. But, for us to get back to the 29% to 30% in the first quarter would take either a significant drop in wing prices, which isn't what most people are predicting, or a significant increase in menu prices, which I don't think we're ready to do.

<Q – Peter Saleh – Telsey Advisory Group LLC>: Okay. And then on the advertising side, can you quantify, I guess, maybe how many less impressions you've had on the year-over-year basis in October versus last year?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. We don't – yeah, and I'm sure we've had a mix in the way that our media runs versus TV, radio, and interactive, so I can just talk from a dollar standpoint it's very similar year-over-year in October and then we do have significant dollar spends in November and December.

<Q – Peter Saleh – Telsey Advisory Group LLC>: Do you know how much inflation, if the dollars were the same, do you know how much inflation you were seeing in October in media?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I would say we're probably – I don't know off hand. I would say that we do get more efficient in our media buying as we get bigger because our buys are bigger and we're able to get more value for those buys. But I don't know if there is an underlying change in overall media costs on a year-over-year basis.

<Q – Peter Saleh – Telsey Advisory Group LLC>: Okay. And then on the holiday gift card, you said I think 11,000 locations. Is that incremental 11,000 locations, or is that total of 11,000 locations?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No. That is incremental.

<Q – Peter Saleh – Telsey Advisory Group LLC>: That's the incremental. Okay. Great. Thank you very much.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: You're welcome.

Operator: Thank you. And our next question comes from the line of Greg McKinley from Dougherty & Company. Please go ahead.

<Q – Greg McKinley – Dougherty & Co. LLC>: Yeah. Thank you. Just two quick follow-ups. The gift card distribution, what was the base off of, please? And then also, when all is said and done, what do you think your dollar expenditures for advertising will be up year-over-year in Q4? Thank you.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: The number of gift card outlets that we had last year was about 30,000.

<Q – Greg McKinley – Dougherty & Co. LLC>: Okay.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: So we're adding 11,000, a little over 25%, the number of units. And the advertising spend year-over-year in the fourth quarter, we don't typically give that. It's expensed throughout the year and then we group those dollars together at 3% of sales.

<Q – Greg McKinley – Dougherty & Co. LLC>: But you don't give the actual cash outlays?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We don't.

<Q – Greg McKinley – Dougherty & Co. LLC>: Yeah. Okay. Thank you.

Operator: Thank you. And our next question comes from the line of Mark Smith from Feltl & Company. Please go ahead.

<Q – Mark Smith – Feltl & Co.>: Hi, guys. Real quick. How many franchise restaurants opened during this quarter?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: That we opened in the third quarter?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: In the third quarter?

<Q – Mark Smith – Feltl & Co.>: Yes.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We opened up seven.

<Q – Mark Smith – Feltl & Co.>: Seven. Okay.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: And then one closed.

<Q – Mark Smith – Feltl & Co.>: One closed, okay. Looking at kind of the openings for this year on for franchisees and next year on franchisees were down, that 45% and 45% plus down from where kind of franchisees had been opening in 2009 through 2011. Is there anything to read into that? Are franchisees healthy and have an appetite to continue opening more restaurants?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. Actually it's about the same as it's been in prior years. Again, it just depends partly on timing. We've seen a slowdown in permitting, in both at the company and the franchise. And the fact that we have nearly 900 restaurants; the number of locations that they have to select from, whether we are holding some for corporate development or in their own market is less. We have gone through and looked at smaller towns and introduced that to franchisees at regional meetings throughout December and October, we are very excited about that. But no, we have franchisees, as I mentioned earlier, that want to acquire other franchisees and are looking to develop any areas they can.

<Q – Mark Smith – Feltl & Co.>: One more question. On the 6% price increase through October, how much have you taken off alcohol?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We've taken very little price increase on alcohol. The increases that we put in in July and August, none of that had an alcohol increase on it.

<Q – Mark Smith – Feltl & Co.>: And I think you said earlier that that may be part of the reason why that kind of went from 22% to 21% of the mix of sales here in the quarter. Is there an opportunity to get more aggressive on pricing at the bar?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We are reviewing our pricing strategy for alcohol for 2013 right now. Specifically at the end of the year, some of the bigger producers do put through price increases on their draft beer. And so we're looking at how we do our pricing to account for that as well as how do we have a value strategy in our beer and how do we more effectively market and promote on our craft beer selection.

<Q – Mark Smith – Feltl & Co.>: Great. Thank you.

Operator: Thank you. And at this time, I would like to turn the conference back over to management for closing comments.

Sally J. Smith, President, Chief Executive Officer & Director

Okay. I would like to thank everyone again for dialing in to our third quarter conference call for 2012. We look forward to sharing our year-end results with you in February of 2013. And again, thanks for calling in.

Operator: Ladies and gentlemen, this does conclude our conference for today. We thank you all for your participation. And at this time, you may now disconnect.

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