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

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen. Welcome to the Buffalo Wild Wings Fourth Quarter 2012 Conference Call. [Operator Instructions] I would like to remind everyone that this conference call is being recorded today, February 12, 2013.

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 fourth 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 fourth 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 at our 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, success of acquired restaurants, the cost of commodities, the success of our key initiatives and our advertising and marketing campaigns, our ability to control restaurant labor and other restaurant operating costs, economic conditions 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 fourth quarter. After that I will provide further detail on the quarter and comment on trends to date in 2013. Finally, Sally will share some additional thoughts about the first quarter and the year ahead. We will then answer questions.

So with that, I'll turn things over to Sally.

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

Good afternoon, everyone. The fourth quarter competed a year filled with significant revenue growth and our total revenue exceeded $1 billion for the year. In 2012 we increased our presence in North America with 74 additional restaurants, expanding into our 49th state in the United States and adding – and added three new locations in Canada, including our first restaurant in Calgary.

Equally important to unit growth is the performance of our new restaurants. We're very pleased with our results as we continued to break sales records. Our average unit volumes increased by over 8% at both company-owned and franchise locations and reached average annual unit volumes of nearly $3 million system-wide.

Our teams were focused on engaging our guests and building sales at every opportunity especially on game days. We achieved strong results for the year as company-owned same-store sales grew by 6.6% and franchise same-store sales grew by 6.5%. With strong sales in new and existing markets we had a sizable increase in revenue of 32.6% for the 53-week fiscal year of 2012.

We faced some challenges last year but we maintained a disciplined approach to ensure our long term success. Like many businesses, we continued to face rising commodity costs. Even as we dealt with higher than expected cost of sales, we continued to invest in our future success and I'll outline the impact of both of these further.

We remained focused on adapting to the current wing market conditions. We had record high wing costs throughout the year. Those costs were in sharp contrast to the historically low wing costs we experienced in 2011. In addition to higher costs, our restaurants have transitioned to larger sized wings in response to the poultry industry's shift to larger bird production.

In October we began testing new options for serving our wings in fixed portions, rather than fixed wing quantities. We are evaluating the impact on sales, margins, and our guest perceptions around this core element of our brand and we will continue our testing before rolling changes to additional restaurants.

In spite of these challenges, we felt it was critical to continue to make long-term investments in our infrastructure and our guest experience service model as we believe these efforts will further differentiate our brand. Our new model is established in about 100 company-owned restaurants and it helps create a personal customized experience for our guests. While we are confident this service strategy builds incremental sales, we did experience higher labor costs in the fourth quarter. We're continuing to refine this model to make it scalable before we proceed with system-wide rollouts.

Unit growth and particularly company-owned growth also remains a priority for us. We opened 22 company-owned restaurants and have hired 18 franchise locations in the fourth quarter and incurred short-term increases in labor, training and travel costs related to these locations. We also completed the rollout of a new point-of-sale system in all company-owned restaurants in the fourth quarter. This is one of the ways we'll improve our business intelligence in the future, but resulted in some initial costs to implement and train and higher loss on disposals in the fourth quarter than anticipated.

In 2012, we completed several key initiatives. We refreshed our logo and our packaging and we opened the first prototype of our new restaurant design, which has a more stadium-like atmosphere. We also invested in testing new guest facing technologies that provide fun and social entertainment choices for our guests.

In the fourth quarter, we focused on driving sales and providing a great Game Day experience for our guests and we had strong sales results, particularly on college and NFL game days. Our football promotions engaged our guests and culminated with seven lucky winners attending our first-ever Buffalo Wild Wings Bowl. The Bowl created widespread exposure for us and provided opportunities to connect with sports fans in our restaurants and at the games.

In summary, we're proud of our strong top-line growth of nearly 38% in the fourth quarter and achieving over $1 billion in revenue for the year. We faced the challenge of high commodity costs, laid the groundwork for our future and incurred some unanticipated expenses. We delivered earnings growth of 13.6% for 2012, producing earnings per diluted share of $3.06.

Mary will now provide additional details on the fourth quarter as well as the first quarter to date. Then I'll return to talk about the first quarter and the year.

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

Thank you, Sally. Our revenue in the fourth quarter topped $303.8 million, increasing 37.8%. Of this amount, the 14th week contributed $23.9 million of revenue in the fourth quarter. System-wide, sales at our company-owned and franchise restaurants were at $696.6 million for the quarter, more than 26% higher than 2011. Company-owned restaurant sales for the fourth quarter increased to $282.7 million, a 39.3% increase over the same period in the prior year. Of this revenue, $22.3 million occurred in the 14th week.

Before we discuss same-store sales, we'll explain our same-store sales calculation. We calculated fourth quarter same-store sales using the first 13 weeks of sales for the fourth quarter in 2012 in comparison to the 13 weeks in the fourth quarter of 2011. The 14th week in 2012 was excluded and we will not use it for any calculations of same-store sales for 2012 or 2013. Same-store sales were 5.8% for the 13 weeks ended December 23, 2012 compared to 8.9% for the comparable period last year.

Menu price increases and adjustments taken during the past 12 months at company-owned restaurants were about 6%. Same-store sales benefited from the shift in Christmas, which was in the 13th week of the fourth quarter in 2011, but did not occur until the 14th week in 2012. We estimated that this additional day of sales aided the fourth quarter same-store sales increase by 150 basis points. We had 62 additional company-owned restaurants in operation at the end of this quarter versus fourth quarter last year, a 19% unit increase.

For the calculation of average weekly sales volumes, all 14 weeks of sales were utilized for both the fourth quarter and the full year 2012. Average weekly sales increased by 6.9% in the fourth quarter, 110 basis points higher than our same-store sales percentage. The average weekly sales calculation benefited by about 30 basis points from the closing of older lower volume locations during the last 12 months. Company-owned locations opened during 2012 contributed an increase of 150 basis points. The 18 locations that we purchased on franchisees during 2012 are performing in line with our expectations, but lowered our weekly average by 70 basis points.

Our royalty and franchise fee revenue for the fourth quarter grew by 20.6% to $21.1 million versus $17.5 million last year, with an additional 12 franchise units in operation at the end of the fourth quarter versus a year ago. $1.5 million of the franchise royalties and fees were earned in the 14th week. Same-store sales at franchise locations increased by 7.4% in the quarter compared to a 5.9% increase in fourth quarter last year. Average weekly sales volumes for the quarter increased by 9.6%, a 220 basis point increase over same-store sales, about 80 basis points of the increase is attributed to the closure of locations in our acquisition of the 18 franchise units.

The following comments will focus on the performance of our company-owned restaurants, and in my discussion, I will highlight when appropriate the effects we estimate the 14th week had on the year-over-year comparison.

Cost of sales for the fourth quarter was 32% of restaurant sales compared to 29.4% in fourth quarter last year, a 260-basis-point increase. Traditional Wings were $2.07 per pound this quarter, $0.65 or 46% higher than last year's average of $1.42. Added to this increase is a lower wing-per-pound yield, and the result is that our cost per wing by the end of the fourth quarter was about 70% higher than last year. Traditional Wings accounted for 20% of our restaurant sales this quarter, the same as last year, and Boneless Wings to 19% of sales, up from 18% last year.

Food and non-alcoholic beverage sales were 77% of restaurant sales compared to 76% last year. In the fourth quarter, we also had an increase in draft beer cost. Taken together, they moved cost of sales to 32%, 2% above our benchmark goal of 30% and 80 basis points higher than the third quarter. Cost of labor for the fourth quarter was 30.2% of restaurant sales, 30 basis points higher than fourth quarter last year. We incurred higher hourly labor expense, which was partially offset by lower bonus expense and a 10-basis-point benefit from the 14th week.

In the fourth quarter, restaurant operating expenses as a percentage of restaurant sales were 14.7%, a decrease of 80 basis points from the prior year. Occupancy costs were 5.2% as the percentage of restaurant sales compared to 5.9% last year. The benefit of the 14th week is estimated at 50 basis points.

In summary, restaurant-level cash flow which is calculated before depreciation and preopening expenses, was $50.3 million or 17.8% of restaurant sales versus $39.2 million or 19.3% in the fourth quarter last year. On a comparable 13-week basis, restaurant-level cash flow in the fourth quarter was 17.3% of restaurant sales, reflecting the impact of our higher year-over-year wing cost.

Depreciation and amortization for the fourth quarter was 6.3% of total revenue, 10 basis points lower than the prior year. The 14th week of revenue provided 50 basis points of leverage, which was offset by 40 basis points of incremental amortization for intangibles acquired as part of our franchise acquisitions and incremental depreciation for free-standing locations and technology infrastructure.

General and administrative expenses were $21.9 million in the fourth quarter or 7.2% of total revenue compared to $19.3 million or 8.8% in the prior year. Excluding stock-based compensation of $1.9 million in the fourth quarter and $2.7 million in the prior year, G&A expenses for the fourth quarter totaled $20 million or 6.6% of total revenue compared to 7.5% last year. We estimate the benefit of the 14th week to be 10 basis points for general and administrative expenses. G&A expenses exceeded our estimate of $19.4 million for the fourth quarter as we incurred unanticipated acquisition costs and litigation expenses.

We opened or relocated 22 company-owned restaurants in North America during the fourth quarter compared to 18 new locations in the fourth quarter of 2011. Preopening expenses for the quarter totaled $6 million versus $4.2 million last year. This $6 million includes $851,000 of preopening expenses for future openings that are under construction. And in the fourth quarter last year, we incurred $997,000 related to future openings. Preopening costs averaged $281,000 per new restaurant during 2012 compared to $275,000 in 2011.

The loss on asset disposals and store closures for the fourth quarter totaled $1.2 million compared to $414,000 last year. Of this amount, $668,000 was related to the rollout of the new point-of-sale and back office systems at company-owned locations, which was completed in the fourth quarter.

We reported investment income of $41,000 for the quarter compared to $288,000 in 2011. Investment loss from funds set aside for future payouts under our deferred compensation plan totaled $14,000 compared to investment income of $244,000 in the prior year. Investment income from our excess cash and marketable securities was $55,000 in the current quarter compared to $44,000 in the prior year.

Our effective tax rate during the fourth quarter was 28.9% compared to 27.8% in the prior year. For the full year of 2012, our effective tax rate was 31.3%, which is lower than anticipated as a result of more favorable income apportionment for state income taxes. The fourth quarter does not include this favorable impact of the American Taxpayers Relief Tax Act of 2012. We estimate our effective tax rate in 2013 will be about 31% before we record an estimated $1 million tax reduction in the first quarter in 2013 for the savings anticipated on our 2012 tax returns.

In summary, our net earnings in the fourth quarter of 2012 were $16.7 million, a 22.3% increase over the prior year, producing earnings per diluted share of $0.89. For the full quarter of 2012, net earnings were $57.3 million, a 13.6% increase. Earnings per diluted share were $3.06, a 33% or 12.1% increase over 2011's earnings per share of $2.73. We estimate that the 14th week in 2012 contributed $0.19 of earnings per share to the fourth quarter.

On our balance sheet on December 30, 2012, our cash and marketable securities totaled $30.9 million compared to $60.5 million at the end of 2011. We ended the quarter with $591 million in total assets and $383 million in stockholders' equity. Cash flow from operations was $145 million for the year and we spent $131 million for capital expenditures and $44 million to acquire franchised restaurants. In 2013, we estimate that our capital spending will be $160 million, which does not include funds that may be used for franchised acquisitions or new concept investments.

As we shared in our press release, we now have a three-year $100 million unsecured line of credit in place that allows us to remain nimble for future investments in franchised acquisitions and emerging brands. Now, I will highlight trends and provide some comments on the first quarter of 2013.

For the first six weeks of the first quarter, our same-store sales are negative 2.8% at company-owned restaurants and negative 1.7% at our franchised locations as compared to same-store sales trends for the first six weeks in the first quarter last year of 12.9% at company-owned restaurants and 10.8% at franchised locations. For the first quarter of 2012, our same-store sales were 9.2% at company-owned and 7.3% at franchised locations.

Our sales are largely driven by gains in sporting events, particularly during football and basketball seasons. With the 53rd week occurring in 2012, events and seasons during the first quarter of 2013 do not align with the first quarter of 2012. For example, the first quarter of 2013 does not include any regular-season NFL games, whereas 2012 included the last week of the regular season. In March, the NCAA March Madness tournament will have similar timing as it did last year, with both years having two weeks of the tournament, so Easter will be the Sunday of Sweet 16 Weekend this year.

As a result, our same-store sales can be challenging to interpret when sporting events don't align. We'll also note that the same-store sales increases in the first six weeks of 2012 were particularly high at the 12.9% at company-owned restaurants and 10.8% at franchised locations. To help quantify the effect of the calendar shift, we calculated our first six weeks of same-store sales as if the NFL and college seasons were aligned, using the first six weeks of 2013 compared to the second through seventh weeks of 2012. When we do, our same-store sales show an increase of 2.6% at company-owned and 1.6% at franchised restaurants.

In the first quarter, we expect to open 14 new company-owned restaurants in North America and relocate one older location. Four of these units have already opened. We also intend to purchase three franchised restaurants and expect to assume operations in March. As a reference point, in the first quarter of 2012, we opened ten new company-owned locations. We also expect that our franchisees will open eight to ten restaurants during the quarter.

The cost of sales, the traditional wing market trended higher through January, resulting in the cost of chicken wings for the first two months in the first quarter to average about $2.13 per pound. This compares to last year's average cost for the first two months of $1.89 and for the first quarter of $1.92. The potential menu price benefit for increases in adjustments taken in the last 12 months is about 4.8% for company-owned restaurants in the first quarter.

As we shared in October, we signed a new distribution contract that covers food, paper and nonfood products, and we've begun transitioning locations through the new distributor. By the end of the first quarter, 50% of our company-owned locations will have transitioned with the rest of the locations expected in the second quarter. We anticipate – estimate that the cost savings to our restaurants once implementation is complete will be about 40 basis points.

We anticipate higher labor costs as a percentage of restaurant sales in the first quarter compared to prior year as we work to lower hourly labor costs. We anticipate that our G&A expenses in the first quarter exclusive of tax-based compensation expense will be approximately $20 million. First quarter stock-based compensation expense is estimated to be $1.6 million compared to $1.2 million in first quarter last year.

Stock-based compensation expense for the year is estimated to be $9 million to $10 million and will vary depending on the level of net earnings achieved for 2013 as well as for estimates of net earnings in future years.

In October, we set our goals for net earnings growth in 2013 at 20% on a 52-week basis. We're now updating that goal to 25% net earnings growth in 2013 when comparing on a 52-week basis to last year which equates to 17% net earnings growth when calculated on full year 2012. Based on the comments we shared about the first quarter of 2013, we anticipate that our net earnings for the first quarter will be similar to prior year with net earnings in the remaining quarters driving our year-over-year growth.

Please review the risk sections outlined in our SEC filings including our 10-K for 2012 which will be filed in the next few weeks as well as our Safe Harbor statement for factors affecting our forward-looking statements. Now, Sally will share some additional thoughts about the first quarter and the year ahead.

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

Thank you, Mary. We're excited about 2013. Our avid fans continue to support our growth across North America and our new restaurants are opening with strong results. We have numerous marketing partnerships, menu and technology opportunities in development that provide many new ways for us to connect with our guests and drive future sales. Our restaurants will begin to have a new look and we have an enhanced guest experience service model that will further differentiate us and our unique sports viewing experience. The economy and market place are presenting some challenges for us as they are for other businesses. As always, we'll meet our challenges head on.

Sports are the cornerstone of our brand and the connection of our brand with sports couldn't be stronger. When Sprinklers wreaked havoc in a new Miami Dolphins game last fall, media was buzzing as sports fans gave Buffalo Wild Wings credit for trying to extend the game just like in our commercials. During the Super Bowl, social media was again buzzing about Buffalo Wild Wings when the power went out at the biggest sporting event of the year.

Our connection to sports is getting even stronger with our recently announced sponsorship of the NCAA. Our three year partnership will give us exclusive opportunities to engage our guests throughout the March Madness tournament. Our new TV and radio spots will promote Buffalo Wild Wings as the official hangout of the NCAA March Madness and we'll have a branded March Madness bracket in our restaurants along with a digital Pop-A-Shot game app.

In addition to basketball, we can [ph] peg (25:35) all of our commercials and marketing materials with official sponsor of the NCAA and we have activation rights for all 89 NCAA championship that will allow us to customize promotions at around the most popular sports in each market. Our new NCAA sponsorship will also give us a stronger in-game presence in digital media throughout the March Madness tournament and final four championship games. We intend to increase our advertising presence over last year with more ways on radio to support all our marketing campaigns and sales driving initiative. During the first quarter we have two new menu inserts that will carry us through March Madness. The current panel features [ph] high deck (26:19) burgers including our new Italian burger. Results to date have been strong increasing our burger category sales. For March Madness, our menu panel will feature nachos, dips and dunks that are great to share while watching a game.

We'll continue to innovate around our food and beverage offerings in 2013. We're building our food and beverage team and they're focused on reengineering our menu to help lead our guests through food and beverage choices that will enhance their food experience and provide customizeable add-ons and unique flavor combinations that can also build transaction growth. We're enhancing our new product development process to build a pipeline of flavorful new sauces and menu items that will delight our guests, optimize profitability and release pressure from wing costs.

Our guests have embraced our boneless wings over the years and in January we'll begin testing the addition of boneless wings to our long-standing Wing Tuesday promotions. Initial results have been favorable and we expect to roll this option out to all restaurants before March Madness.

Draft beer is another corner stone of our brand. We believe bringing tightened attention to our premium draft beer selections will continue to build our draft beer sales. We're currently testing a variety of draft beer initiatives that can improve margins through pricing strategies, value selection, tastings and food and beverage pairings.

We'll be opening our 900th location next week and our second new prototype restaurant will open soon in the San Diego market. Initial feedback on our first location has been very positive and we're eager to begin rolling a new design into future openings and remodels in 2013. We believe we can become a chain of 1,700 locations across North America.

Our international growth will move ahead as our franchisees are scheduled to open new restaurants in the Middle East this year and in Puerto Rico in 2014 and we're developing new opportunities for further expansion across the globe. We're also actively pursuing investments and additional concepts for domestic growth as we continue to build this dynamic company. We have a great year ahead. We expect to open more than 100 new Buffalo Wild Wings restaurants across the globe and we're building a foundation to remain a leading brand for years to come.

We're also working toward investing in exciting new brands. In 2013, we will continue our financial diligence and we're energized and determined to achieve 25% net earnings growth while continuing to create the ultimate sports viewing experience for our guests. 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 success of our brand.

Operator, we'll now open the call to questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Jeff Farmer with Wells Fargo. Please go ahead.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: How are you guys?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Hi, Jeff.

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

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Just starting with the volume test as it relates to the volume test which I think is still in roughly 60 restaurants. When might that end? What's the next step? Will the franchise groups follow? Theoretically when would a go no go decision be made? Any color you can provide on any of that would be very helpful?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Sure. The test is in I think 64 restaurants and it does include both company and franchise. We have franchisees in several markets testing it for us as well. And as we're trying to – with the combination of increased wing prices and continuing increased wing sizes, getting that right portion mix or that right number of ounce mix has been a little more difficult than we anticipated. And we do anticipate continuing that test and getting feedback from our guests over the next couple of months. We'd like to have some sort of a decision in probably mid to late second quarter in anticipation of our new rollout menu in August of this year.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. And just to follow-up on that, when you say size and portion, you're referring to basically the number of wings I guess that would theoretically actually sort of trigger that purchase decision? You're seeing people push back in terms of maybe too few wings? How should I think about what you just said there?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: No, it's not so much a push back from too few wings. We have been testing different ounces of meat in let's say the single, double, of wings in the single, double and triple. A franchisee for example was using a targeted amount. We had been using a targeted ounce amount similar to when the wings were smaller. And we just want to get that right. So, no, we haven't been getting push back. I think a lot of it has to do with how we explain to our guests, whether we say, okay, today we're serving five wings for a small order or six wings and making sure that, that guest understands. So as they, this has been the way we've served wings for 30 years, and making that transition, we just want to make sure we get it right.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: And then, final question, just sort of digging down on the margins. I know, it sounds like you guys have got a lot of different sort of variations of the test out there, but in terms of sort of the spread, in terms of margin favorability that you could theoretically see in terms of moving forward with this, any ballpark, even if it's a big ballpark, on the margin benefit that you could theoretically see once this goes system wide would be very, very helpful.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, our goal has been and I think we've said this in the third quarter conference call. We'd like to get back to that 30% cost-of-sales. That's not going to happen in the first and second quarter. Because, you know, wing sizes, as we went into the January and February, as Mary said, are up over prior year. We have seen wing sizes drop this week, I guess, since Super Bowl. So we anticipate some relief there but again, we use the prior month average. So we'll take February's average for our March sales. All-in-all, as we look at menu design, product offering, pricing and how we serve wings, our goal over a little bit longer term is that 30% margin. And when prices cooperate longer term, I think we can get there but, as I said, it's not going to be in the first six months this year.

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

Operator: Thank you. Our next question is from the line of Dan, excuse me, David Dorfman with Morgan Stanley. Please go ahead.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: Hi. Thank you. A couple of questions. First is just on the new guidance of going from 20% to 25% growth. Can you just sort of talk about the thinking that goes into that. Is that a result of a lower fourth quarter than you may have been expecting? So you need to reduce the number going forward? Or is there something different that you see in 2013?

And then, secondly, can you talk about the average weekly sales gap, just as we think about development? I think, if you go back a couple of quarters, the new unit contribution to the average weekly sales outperformance of the comp was in the sort of 400 basis point to 500 basis point range. Now it seems to be much lower, even though you just opened the sort of bunch of units. So can you talk about that dynamic and sort of how you view that development going forward?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Sure, David. On the guidance piece, had we met our goal of 15% net earnings growth for 2012, with the other little adjustments we've made in the model, you would have a pretty similar bottom line. So the change from 20% to 25% is to a small part on a different model, but most of its just due to what the base is calculating from. And as it relates to the average weekly volume calculation, we are seeing a spread occur year-over-year. We were 150 basis points, 160 basis points for the fourth quarter versus 0.3% when you look back to the third quarter. So, many of our openings, though, in the fourth quarter didn't happen until the month of December. And of our acquisitions, half of them didn't happen until the month of December either, so you don't have the full benefit of all those openings in the fourth quarter in that calculation. We will as we go into the first quarter now have all of those stores to assist us as well as a pretty nice pipeline of new store openings for the first quarter.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: So when you think about your excitement about entering these coastal markets, especially in California where you were seeing higher volumes, there's been no deterioration in terms of that, it's just a timing issue?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: It mostly is just the volume of non-comping weeks that you have going into the quarter.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: Thanks. If I can just sneak in one more question, on the food cost line, can you give a little bit of detail as to of the, what was it, 280 basis points of higher cost of sales, how much was due to wings? Or how much was due to sort of any sort of promotional or mix shift that you saw, just to sort of quantify how big the wing issue is?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I can give you a couple of the stats on it and then you can do some of the calculation. For the quarter, the amount of our cost of sales dollars that were wing related was 28.3% of our cost of sales. And when you compare that to the fourth quarter of 2011, it was 20.4% at that time. So you can see how much more of our cost of sales is related to wings. Then from – what we looked at mostly was our third quarter cost of sales margin was 31.2%. We were thinking in the fourth quarter that we knew wing prices from a price per pound were going to go up slightly. They were $1.97 in the third quarter, they were moving to $2.07 for the fourth quarter, but because we had the menu price increase in the third quarter that now we would have the full effect of in the fourth quarter. We actually thought we wouldn't end up too much over that 31.2% and we end up – ending the quarter with 32% cost of sales margin. That 80 basis points, about half of that is due to increased wings, the price per pound as well as the yield component, and then the other half was regarding the draft beer costs that we commented on in the script. And that really is two component pieces. Some of our domestics that saw [ph] head (37:19) prices go up in the fourth quarter. And then a piece of it is related to more craft beer sales, which from a percent margin standpoint aren't that strong, but from a dollar standpoint, they flow through nicely.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: Got it. Thanks very much.

Operator: Thank you. Our next question is from the line of David Tarantino with Robert W. Baird. Please go ahead.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Hi. Good afternoon. Mary, just kind of following up on the conversation about Q4 earnings coming in under your previous implied expectations, just wondering if you could maybe decompose some of the factors that caused the shortfall relative to your expectations? And maybe talk about which ones might be temporary in nature or maybe one-time in nature that won't repeat in 2013 versus ones that more of an – are an underlying cost layer that was added?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Sure. We ended up ending the year at $3.06 in earnings per share based on a 15% growth that would've got it closer to the $3.14 number for the year, so about $0.08 difference. And the three component pieces that stand out to us is the cost of goods that we just spoke about being higher than we would've anticipated over top of what we had seen in the third quarter, so if you figure about 50 basis points of cost of sales being a little bit more than expected. On the G&A line, we talked in the script about some additional costs related to acquisitions as well as some unanticipated litigation expense. That was about $600,000 and then loss on disposals, we knew we were transitioning out of our POS system. We had seen about a $300,000 write-off in the third quarter. We were expecting about the same because we were half done, and it actually ended up being $670,000. So, when you take those pieces and tax effect that you end up with about that $0.08, $0.09 difference.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Got it. That's very helpful. And then as you think about next year, the guidance going up about five percentage points on an underlying basis, is it partly because you're cycling some of the things that may not recur that you just mentioned? Or is it a change in view? I think a prior question was trying to get at this point, but just wanted to clarify what gives you the confidence in that kind of number as you look out to 2013. I know it doesn't change the implied earnings that you're going to have, but the growth rate in terms of it being higher year-over-year.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, I mean, what we had in 2012 was a pretty interesting year. You have a 360 basis point difference on your...

<A – Sally Smith – Buffalo Wild Wings, Inc.>: 20 basis....

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: 20 basis points different on your cost of sales line. So, you have all of this amazing growth that we had for both company and franchised stores. We're up 9% system wide on units, 19% by the end of the year on our company units, and so little of that growth ends up coming to the bottom line because of the high wing costs. So when you look toward the 2013, we have all of this growth that we had in 2013 that we really didn't get to see come to the bottom line. And even if you had very slack restaurant level cash flow year-over-year, meaning that wings don't get a whole lot better and the rest of your stuff stays pretty similar, you can get to a 25% bottom line improvement pretty easily. So, the conversation before was the difference between the 20% and the 25%, the bottom-line number that we're looking at for net earnings being somewhere in that $3.55 to $3.60 earnings per share next year. That's pretty much the same number.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: That's very helpful. Then Mary, just one quick follow-up to that, what type of comp-store growth would you need to achieve that earnings growth based on what you know today?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: So, we typically go pretty conservative, so low single digits. We don't – right now, we have about 4.8% menu pricing effect that as we go through the year, depending on what decisions we make on menu pricing and where we end up with the fixed portion on the wings test, we're going to run that menu pricing down to a pretty low level as we get into the third quarter. So – but if we have low single-digit comps through next year, we should be able to get to the bottom line that we're looking for.

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

Operator: Thank you. Our next question is from the line of Brian Bittner with Oppenheimer & Co. Please go ahead.

<Q – Brian Bittner – Oppenheimer Securities>: Thank you. Hi, Sally. Hi, Mary. Just sticking to 2013 guidance, I'm still trying to totally understand the thematic behind the 25% growth. So, you're going to do flat growth in the first quarter, so this implies that on average for the rest of the year, that you can achieve 33% EPS growth and trying to understand what drives that acceleration. I understand that the cost of sales line could cause a little bit improvement, but where do we exactly base net off of? Is there a certain cost of sales margin assumption within that guidance because it doesn't seem like it's relied upon as same-store sales acceleration or improved meaningful improvement in the labor margins?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: So, at the restaurant level cash flow, same point on an annual basis, you can get to the kind of bottom line with very little year-over-year improvement on your cash flow. I think the timing of the quarters is a reflection of how early in the year some of our openings are happening this year. So, we have 15 openings in the first quarter. We're going to have some more between 10 and 15 most likely in the second quarter. Compared to last year, we only had four new restaurants opening in the second quarter, so some of our pre-opening is going to be a little moved up as it relates to its timing in the year. But then you have the benefit of those stores being open for the full year. So, we do believe we can get to the 25% mark.

<Q – Brian Bittner – Oppenheimer Securities>: Okay.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I mean that's on a 52 – I mean you're considering it on a 52-week basis. So, you have to take out the $0.19.

<Q – Brian Bittner – Oppenheimer Securities>: Okay. And then, just a follow-up question, completely, separately, just – can you just talk a little bit about your appetite for acquisitions? What's a sweet-spot acquisition for you? What are you guys exactly looking to potentially do on the acquisition front as far as size and potential concept? And what are the thematics behind the reason for doing something like that potentially?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Sure. Well, a couple to things we've talked about, what we're looking for and it would be something very small and I could see us investing in – and not necessarily a full acquisition – investing in a number of small concepts. The goal of course is that having a second vehicle for growth, we have franchisees who are very interested in working with us on developing, or if we invest where they can actually add another concept or two to their fleet of stores, I guess. So there's significant interest there. And by making a couple of investments in perhaps small emerging brands versus we said we weren't interested in a medium size chain or any kind of a turn-around, it kind of precludes kind of the known factors out there. So – and we've got a group of team members that are excited about the opportunity to grow with us as well as along with franchisees. So, we're not interested in quick-service. We don't have an area of expertise there and fine dining. Again, we'd like it to be franchisable that it works across the country and so it's either casual dining or quick casual.

<Q – Brian Bittner – Oppenheimer Securities>: Is there a certain size that you'd be, as far as a dollar amount that, like a threshold that you can communicate that you'd be willing to spend?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think it's pretty small.

<Q – Brian Bittner – Oppenheimer Securities>: Okay.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: And that's why we think we can invest in several different emerging brands and hopefully looking for passionate founders that are interested in growing their brand. But that it works within what's the kind of the, we call them the guardrails, as I mentioned, franchisable, ability to grow nationwide, and in the segments I've talked about not quick service and not fine dining.

<Q – Brian Bittner – Oppenheimer Securities>: Got it, all right. Thank you.

Operator: Thank you. Our next question is from the line of Bryan Elliott with Raymond James. Please go ahead.

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Thank you. Good evening. Just a couple of clarifications from earlier comments, Mary, you mentioned something about a tax refund coming in 2013 for 2012 return and that that's part of the big reduction in the tax guidance for this year. Could you elaborate a bit on why that wouldn't have been taken in Q4, for example, and what the magnitude might be and where that would come from?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Sure. Yeah. Well, the American Relief – Taxpayers Relief Act didn't get signed into...

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Yeah, until early 2013.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Law until after our year ended, and according to GAAP, you can't record new tax law until the period of time that it...

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Even if it's retroactive? Even if it impacts tax year 2012, you can't reflect it in 2012?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. That is true. Yeah. So, we can't be the only ones that have this quirk happen. So we – and because there were so many credits that were renewed back to the beginning of 2012 that's about a $1 million benefit for us and so that does get picked up in your first quarter that you report. So, when you're modeling out your income tax expense, our rate for the year, if we're at the 25% earnings growth on a 52-week basis, would be about a 31%. But then in the fourth quarter, you just take $1 million off of that number so the effective rate...

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: In the first quarter, you mean. You said – just said fourth, you mean, first quarter.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Of course, yeah. In the first quarter, yeah. So that your effective rate in the first quarter is probably like 27% or 28% and for the year then it brings the overall rate down to about 30%.

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Okay, all right. And that's helpful. Thank you. Question on labor costs, I didn't catch I guess and understand or didn't – I don't understand why the leverage has gone the other way on the labor cost line. And it sounds like it's going to be a focus point moving forward, but could continue to be a bit of a drag early in this year. What has changed? And what's driving that?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, there's two components in the fourth quarter and then I'll let Sally talk about it as well, but in fourth quarter, we had a lot of new restaurant openings, as well as we had the acquisition. So, we were expecting to be a little bit up year-over-year in the fourth quarter and that's what happened. In the first quarter, because we still have those new restaurants as well as the guest experience service model that we talked about in our script, which is a little bit of pressure on labor right now. We do think that those two factors will cause us to be up year-over-year as well.

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Okay. And that guest experience service model, is that just cutting the tables per server down, just adding more server' hours, or is it more complicated than that?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: It's a little bit more complicated than that. It's an added position or added hours. I shouldn't say an added position, we call our Guest Experience Captain where they are able to interact and work with tables and some of the things that we do in restaurants. So, we are in the process of rolling out some interactive gaming, certainly our Blazin Challenge and before we rolled that out, we've been testing that – it's been rolled out. And I wouldn't call it testing. We've rolled that out in about 100 restaurants and now I want to tweak the hours.

We've found that we don't necessarily need that full compliment prep at the lunch hour, but we do think it's key to enhancing that guest experience as it relates to what happens within Buffalo Wild Wings. There was one other thing – that we had some significant POS, point-of-sale, training that happened in the first – fourth quarter and that's going to continue into some additional training in January as we completed the roll out of the entire company-owned system to a whole new point-of-sale system. I guess beginning about midyear last year and then rolling completely by December. So, we had some training dollars in there as well.

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Okay, that makes sense. And just to confirm, the guidance does include that tax refund or benefit that we just talked about, right, Mary?

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

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: Yeah, all right. And then last question for me, a lot of moving parts obviously with the calendar shift and everything else going on, but thinking about the payroll tax increase, which I'm sure surprised many of your customers, suddenly getting a reduction in their take-home pay and having to make some adjustments, there's been some commentary from other public restaurant companies about sort of late January, particularly that sort of February 1st weekend where a bunch of paycheck issuance sort of coincided with the weekend, seeing some changes in consumer behavior associated with that loss of disposable income. I wondered if you are seeing similar behavior change possibly in traffic and/or maybe check management by consumers who might be a little more pinched than they were in December.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think there's a laundry list in macro economic conditions and those are always hard for us to get a gauge on. But there's a payroll tax effect that you talked about. This last year's weather being very mild, this year having some storms, for us the NHL lock-out didn't get unlocked until the middle of January. So, we would have seen some of our locations with an impact from that, and then I just saw a recent article about all the delayed tax refunds where the amount of money that people had applied for refunds are weeks behind where that level was in the prior year. So, it's hard for us to know how much of that would be affecting our trends for the beginning of the year.

A couple of things we do look at and so, we do have some good feelings about it is that when we look at, say, Super Bowl as a discrete event and we compare this to your sales on Super Bowl to last year's sales on Super Bowl from a same-store sales basis, we were up like 7% or 8%. So, we're definitely getting people spending the money on the big event days. Harder for us to get a gauge on whether or not we see any push back as it relates to the mid-week kind of visits.

<Q – Bryan Elliott – Raymond James & Associates, Inc.>: All right, very helpful. Thanks, much.

Operator: Thank you. Our next question is from the line of Larry Miller with RBC Capital Markets. Please go ahead.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Yeah, thanks. Hi, guys.

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

<Q – Larry Miller – RBC Capital Markets Equity Research>: Hey. Can you – you mentioned some of the beer test. Can you give us a little more color on that? And then I had a couple more quick follow-ups. Thanks.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: About a beer test?

<Q – Larry Miller – RBC Capital Markets Equity Research>: Well, you said you were doing something different with your beer program, maybe some pricing. Can you give...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. We have a couple of different tests going on in markets. We're doing some slight testing in one of our markets to see if we can get people introduced to some of the specialty crafts that we have at our restaurant side, doing slight sort of like you would with wine. So, we have that going on in some of our markets. We do have a real craft focus through this year, and as we go in the second and the third quarter, you'll see some unique crafts coming into our restaurants that we're excited about. And then looking for a way to approach beer from a value standpoint, so as we have seen the keg cost go up on domestics, wondering if there isn't a way that we can use a craft or a small brew in some way in order to give us back in value proposition to our guests. So, we're testing some stuff now and we'll slowly be rolling that out into our restaurants as we go through the middle of the year.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay. Thanks. And then on the POS, what kind of benefits are you guys thinking you're going to get from that.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, the initial – the focus for us on the POS is all the additional things we can do that are guest-facing with it. There are some great back office stuff that we can use here and then regional managers and director of ops can use to get real time information on their stores. But for us, it was really key to get that infrastructure in place so that we can get integrated online ordering in place, so that we can use table-side ordering either by the guest or by our servers, get table-side pay and start using tablets in a way that we can incorporate both ordering and gaming together. So, we have some pieces of that being tested in some locations now and I'm not sure when we'll be ready to have that rolled out from a full system basis, but moving into a POS system that allowed that kind of stuff to happen was really key for us.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay, that's cool, and then just two quick data points for me. Can you give us some pricing if you don't take any for Q2 and Q3? And then also on the 2.6% comp when you made it like-for-like what would the comparison be? Thanks.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I'll do the first one, then I'll have to ask you the second one again. But on the menu price increases, if we don't do anything in the second quarter, we'll have 4.5% in effect and third quarter, we'll have 1.8%, and then by the fourth quarter, we wouldn't have any.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: And then well, remind me again on your next question.

<Q – Larry Miller – RBC Capital Markets Equity Research>: So, you said you did a calculation for like-for-like comp-store sales. I think it was week two through seven versus week one through six. What's the comparison? So, if you're up 2.6%, what was the comparative basis? Because it wasn't 12.9%, it would be something different. Correct?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, it would, and I don't have that in front of me. So, I was thinking that it would still be pretty big because incremental gift cards that we had weren't just a one week effect in the prior year. They would have continued on.

<Q – Larry Miller – RBC Capital Markets Equity Research>: Okay, okay. Maybe we could circle back later on that. Thanks. That's it for me.

Operator: Thank you. Our next question is from the line of Paul Westra with Cowen And Company. Please go ahead.

<Q – Paul Westra – Cowen And Company LLC>: Great. Good afternoon, everyone.

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

<Q – Paul Westra – Cowen And Company LLC>: I think Larry sounded disappointed that your beer test wasn't office delivery. He sounded a little thirsty.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, that's an idea.

<Q – Paul Westra – Cowen And Company LLC>: Yeah. You never know. I was just following up a couple things, on the – could you break out your average mix or your check change versus traffic? We're trying to get at it for the, I guess, the fourth quarter and maybe even the current quarter to date.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah, we didn't. We just give you the menu price piece which for the fourth quarter was 6%. So, we add 5.8% on same-store sales, so very similar to what potential menu price benefit was out there.

<Q – Paul Westra – Cowen And Company LLC>: Okay. That's good help. And then, so the cash flow management, you threw out $160 million of CapEx. Are you thinking your CapEx budget sort of in the years forward should, are you going to sort of, will that be [ph] a governed around (57:47) on I guess your company development? Are you trying to keep your operating cash flow in line with your CapEx? Or are you thinking that $100 million line of credit that sort of gives you room to maneuver?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: I think – we think of the $100 million line of credit is giving us nimbleness as it relates to things other than our normal company store development. So, company – our own company store development we should be able to handle just fine but as it relates to franchise acquisitions or emerging brands or any real estate plays that we'd want to do really quickly, that credit line might come in handy.

<Q – Paul Westra – Cowen And Company LLC>: Okay. And then on the – can you give us an update on the franchise backlog? I guess on related question, should we think of the 45 unit a year franchise development for the pace you're guiding to – is that a sustainable pace where that sort of, I guess, sequentially maybe diminish as maybe the, I guess, minimum franchise obligation number maybe comes down over time or should that be a straight line number for the next seven or eight years?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, no, I don't think it's a straight line number over the next 7 to 10 years. We've said we think we can be about 1,700 units nationwide. That certainly give us some room between now – sort of 900, sort of 800 units but if we're all [ph] fit in at (59:06) the rate of about 60 on the company and 40-plus in the franchise, I think the pipeline looks good for 2014 – 2013 and into 2014 on the franchise side. Territory becomes more and more limited and same on the company side, but I would anticipate that franchisees will be in the range – if they're currently at 500 plus – seeing them go to about 800 or so, 300 over the next 7 to 10 years.

<Q – Paul Westra – Cowen And Company LLC>: So, they're already...

<A – Sally Smith – Buffalo Wild Wings, Inc.>: But at a diminishing rate.

<Q – Paul Westra – Cowen And Company LLC>: I see. And sort of – the total backlog is around 300 now?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No, no, no. I'm...

<Q – Paul Westra – Cowen And Company LLC>: Signed obligations now. I mean, signed development agreements now, what's the total backlog?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I don't have that number at the tip of my fingers, but I think almost all of the territory on the franchise side is spoken for or is under development.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. And I don't know the exact number either, Paul, but when you look at our balance sheet for the unearned franchise fees, the amount is pretty similar to what it was at the end of 2011. So our backlog is probably pretty similar as well.

<Q – Paul Westra – Cowen And Company LLC>: Okay. And then lastly, for my friends in Providence, when are you going to get to Rhode Island?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: [indiscernible] (1:00:29).

<A – Sally Smith – Buffalo Wild Wings, Inc.>: ....just for you.

<Q – Paul Westra – Cowen And Company LLC>: All right. We'll be waiting on it. Okay. Thanks, that's all.

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

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

<Q – Will Slabaugh – Stephens, Inc.>: [inaudible] (01:00:44) about trends throughout the quarter from a sales standpoint which obviously improved after October. And just if there's anything there in particular, things that you did that you felt drove that and just your general view maybe how customers receive the wing price increases as well?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, I think there was a lot discussion in the third quarter conference call around our advertising spend as we went into the call in October, and most of the advertising spend was happening in November and December. And so, obviously with our – and I can't remember what the exact number for same-store sales going into the – at the October call for – into the fourth quarter, but we did have increasing same-store sales throughout the fourth quarter. Can you repeat the second part of your question?

<Q – Will Slabaugh – Stephens, Inc.>: Yeah. I'm just wondering how you thought your customers responded to the wing price increases throughout the quarter?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I don't think we had any push back at all. Obviously, our – and part of it is, we didn't see the wings – the component on the menu of wings decrease. Certainly some – going from, I think it remained at 20%. So, and that – so nothing comes to mind from a pricing standpoint – from push-back.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: And then, well, we've mentioned on call that of the 5.8% we got in the fourth quarter, there was about 150 basis points due to the Christmas mismatch, so it makes the quarter back to what, about 4.3%. So an increase over where we were in October, but not quite as dramatic as what it looks like on a full quarter basis.

<Q – Will Slabaugh – Stephens, Inc.>: Okay. Understood. And then, just a quick follow-up from me on pricing. You mentioned where it was going to be into 2Q and then 3Q following off the 1.8%. Wondering what your appetite might be for the rest of 2013. Is there still something sort of – are you thinking about, or do you want to maintain something quite a bit above that that 1.8% level?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: It kind of depends on what wing prices do. If they moderate a little bit, or if they moderate a lot, obviously that relieves any pressure on pricing. We are looking at how we reengineer the menu, so that we can optimize profitability, and looking at new product development, certainly. And then are there product reformulations that we can look at to continue to get efficiencies and cost of sales. So, I'd like to hope that we can do it in a variety of ways, but I don't think we're opposed to taking price, so I wouldn't anticipate that it'd be anywhere near what we took in response to wings in September of last year.

<Q – Will Slabaugh – Stephens, Inc.>: Great. Thank you.

Operator: Thank you. Our next question is from the line of Matthew DiFrisco with Lazard Capital. Please go ahead.

<Q – Phan Le – Lazard Capital Markets LLC>: Hey, there. This is Phan Le filling in here for Matt DiFrisco. I just had one quick question for you guys. You had mentioned earlier that you plan on increasing some marketing spend in 2013. Just wondering if you could perhaps quantify that amount, maybe as a percent of sales, and let us know, how that compared to last year. And also, how do you plan to spend that money. Do you think it'll be spread out evenly across the year, or perhaps focus on a particular quarter? Thanks.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I'll answer the last part first. It's rarely spread out evenly throughout the year. We focused on sporting events. You'll see a much bigger spend in February, March timeframe for the first quarter, and then in September, October, so, really, the end of the third quarter and beginning of fourth quarter with football. The increase over prior year, we had a little bit of carryover and we spent a little bit more in 2012 because we had carryover, so that increase in marketing spends should be in the range of probably 6% to 7%.

<Q – Phan Le – Lazard Capital Markets LLC>: Great. Thank you.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: And it'll be across kind of all lines. For the first time, we'll have a significant amount in national radio.

<Q – Phan Le – Lazard Capital Markets LLC>: Excellent. Thank you.

Operator: Thank you. Our next question is from the line of Michael Kelter with Goldman Sachs. Please go ahead.

<Q – Michael Kelter – Goldman Sachs & Co.>: Hi. I wanted to revisit and ask you again about the flex test – the flex portion test in 64 units, because effectively, it's a price increase, which is why it helps your cost of sales. But it's probably a more conspicuous price increase than any other you could take because it does change the way the consumer interacts with the concepts. So just a little more help with what you're seeing in the test. You mentioned some difficulty figuring out the portion size, but beyond that, any elasticity? Any increase the number of customer complaint cards? Anything that gets you comfortable that they're not perceiving it as a price increase and getting turned off in any way, even around the edges?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: No. We have a franchisee who's executed the test very well and his guests are really – I mean, they understand it. I think that it's important for – and this is the harder part to communicate, is that because the wing sizes have gotten so much larger, five wings yields more ounces of chicken than six used to.

So the guest I think is seeing a value in additional protein, I guess. It is – they're probably does take a little bit getting used to if we're consistently serving five, but it's ranged from anywhere from five to six as yields continue to decrease throughout the quarter. So because of that continuing increase in the size of the wing since we rolled it out, it's been really difficult to have a consistent, I would say a consistent message or consistent number of wings to the guests, even though they're getting used to what – snack, platter meal.

<Q – Michael Kelter – Goldman Sachs & Co.>: And then maybe on a similar kind of – a little different question, but similar point, so you have been taking price increases over time to keep – protect the P&L of your business in the [ph] face of (01:07:24) wing inflation, but is there a point at which it just becomes too much? How do you know when that one incremental price increase has just taken you too far and prices you beyond what the consumer is willing to pay? I mean, how do you kind of keep an eye on that as time goes on, and make sure that you don't kind of go over that edge?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, it's interesting, 2011 was the lowest wing prices we've ever had. And this is the highest wing prices. And I think that's part of the reason why we held back until late or really the third quarter of 2012 to do any kind of price increase. And I'm hoping that moderating wing prices will be able – will allow us to hold pricing to a minimum. We did have to significantly raise prices on wings. There was no other way to cover the cost of the product. I think one of the important things then is going to be able to – is we need to be able to highlight it as a premium product.

Now that we're looking at how do we describe it as a fresh product, never frozen, educating the guests on to attributes of a fresh product, highlighting our sauces so that it's still seen as a value, but if they're coming for wings they're getting a really great wing. So I think we have some opportunity there.

<Q – Michael Kelter – Goldman Sachs & Co.>: Thank you very much.

Operator: Thank you. Our next question is from the line of Chris O'Cull with KeyBanc. Please go ahead.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Thanks. Just as a follow-up, Sally, it would seem that the longer the company waits to roll out the new menu, the more guests are conditioned to expect portions that are larger than the intended plate spec. Is that a concern to you?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: As I said, we're going to continue testing the wings in the 64 markets and we'd like to add a few more markets to that between now and April. And hopefully, we'll have that decision. Whether it happens today or it happens in August, I don't know that will necessarily condition people. We've been gradually serving larger wings really over the last couple of years.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. Fair enough. And then do you still expect this new menu to be neutral to the guests' average ticket or their spend?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, I think our goal is to always drive average ticket for the guests. And hopefully by introducing more sharable items, things like that, we'll continue to see growth in average ticket.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. So this new menu would not only have maybe some small reduction in portions, but you could also see an higher absolute price? Or are you thinking that you'd shift people to higher priced items?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Well, that would be our goal. But they'll get wings, but then what other products offerings do we have on our menu that are really great, that highlight our sauces that perhaps have a little higher price point. We've seen that in the past when we've introduced some of our appetizer shareables. And so that is one of the strategies that we're looking at.

<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. And then, Mary, what is the margin impact if guest shifts from traditional to boneless wings on Wing Tuesdays?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, there's definitely a benefit and I don't know the exact price points, but they'd be about similar margins, but it seems to me it's about $1.60, $1.70, that they're about equal, but anything when wings are over that, boneless is a better choice. So...

<Q – Chris O'Cull – KeyBanc Capital Markets>: Okay. Okay, great. Thanks.

Operator: Thank you. And we have no further questions at this time. I'll turn it back to management for any closing remarks.

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

Okay. Thank you, everyone, for calling in to listen to our fourth quarter 2012 conference call – earnings call. We will look forward to speaking with you again for the first quarter, our conference call sometime in late April. Thanks, everyone, for the questions.

Operator: Ladies and gentlemen, this does conclude our conference for today. Thank you for your participation. You may now disconnect.