PARTICIPANTS

Corporate Participants

Mary J. Twinem – CFO, Treasurer, EVP & Head-Investor Relations
Sally J. Smith – President, Chief Executive Officer & Director

Other Participants

Brian John Bittner – Analyst, Oppenheimer Securities
Jason Taylor West – Analyst, Deutsche Bank Securities, Inc.
David E. Tarantino – Analyst, Robert W. Baird & Co. Equity Capital Markets
David Dorfman – Analyst, Morgan Stanley & Co. LLC
Jeff D. Farmer – Analyst, Wells Fargo Advisors LLC
Will Slabaugh – Analyst, Stephens, Inc.
Jeffrey Andrew Bernstein – Analyst, Barclays Capital, Inc.
Matthew J. DiFrisco – Analyst, Lazard Capital Markets LLC
Larry A. Miller – Analyst, RBC Capital Markets Equity Research

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen. Welcome to the Buffalo Wild Wings' Second 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 is being recorded.

I would now like to turn the conference over to Ms. Mary Twinem, Chief Financial Officer and Executive Vice President of Buffalo Wild Wings. Please go ahead, ma'am.

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

Good afternoon and thank you for joining us as we review our second 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 second 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 for purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995.

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 at our company-owned and franchised 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 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 second quarter. After that, I will provide further detail on the quarter and comment on trends to-date in the third quarter. Finally, Sally will share some additional thoughts about the third quarter and remainder of this year. 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. We are very pleased with our strong sales and our ongoing ability to drive revenue increases. We continue to outpace the casual dining category with second quarter same-store sales increases of 5.3% at company-owned restaurants. Our franchisees also outpaced the industry with a same-store sales increase of 5.5% for the quarter. The combination of strong same-store sales, new restaurant performance, and franchised restaurants acquired in 2011 fueled our substantial revenue increase of nearly 30%.

For the second quarter, we managed controllable costs, but the combination of higher price per pound wing cost and the sharply lower wing per pound yield in the second quarter moderated our net earnings to a 9.3% increase over last year, providing earnings per diluted share of $0.62 compared to $0.58 in 2011. The championship runs for college and pro-basketball provided a strong foundation at the start of the quarter and sports fans continue to gather in our restaurants to enjoy their favorite sporting events throughout the spring.

Our new TV spot called Best Friends reminded viewers that Buffalo Wild Wings is a fun and social place, where you can meet fellow sports fans and share the excitement of any games that's aired through the second quarter including the NBA playoffs. In the second quarter, we had two menu inserts to highlight the variety of our food and beverage offerings. The first insert featured sharables including our burger and pork slammers.

Later in the quarter, a second insert showcased our flavorful signature sauces to create a custom burger experience. Both were successful and same-store sales in our sharables and burger categories each had double-digit sales increases for the quarter. Our expanded gift card program continue to generate revenues throughout the second quarter and produced nearly 60 basis points of additional same-store sales. We believe these programs will generate incremental top line growth throughout the remainder of the year.

Our operations excellence team remained keenly focused on the fundamentals of providing great service, driving sales, and managing controllable costs. Our ongoing commitment to creating a great dining and sports viewing experience for our guests produced another successful quarter for Buffalo Wild Wings.

Mary will now provide additional details on the second quarter as well as third quarter to-date. Then I'll talk about the rest of the year when I return.

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

Thank you, Sally. Our revenue in the second quarter grew by 29.7%, increasing to $238.7 million. System-wide, sales at our company-owned and franchised restaurants were $580 million for the quarter, more than 18% higher than the prior year.

Company-owned restaurant sales for the second quarter increased to $220.6 million, a 31.4% increase over the same period in the prior year. Same-store sales was 5.3% for the quarter compared to 5.9% last year. Menu price increases taken during the past 12 months at company-owned restaurants contributed about 1.8%. We had 53 additional company-owned restaurants in operation at the end of this quarter versus second quarter last year.

Average weekly sales increased by 7.4%, exceeding our same-store sales percentage for the quarter by 210 basis points. The average weekly sales calculation benefited by about 40 basis points from the closing of older lower volume locations during the last 12 months. The remaining 170 basis point increase is due to the higher unit volumes of company-owned locations opened during the last 15 months.

Our royalty and franchise fee revenue for the second quarter grew by 12.1% to $18.2 million versus $16.2 million last year, with an additional 13 franchise units in operation at the end of the second quarter versus a year ago. As a reminder, we had purchased 17 franchised locations in the 12 months preceding the end of this quarter, which lowered the year-over-year increase in franchised units.

Same-store sales at franchised locations increased by 5.5% in the quarter compared to 2.7% in second quarter last year. Average weekly sales volumes for the quarter increased by 7.4%, a 190 basis point increase over same-store sales.

The following comments will focus on the performance of our company-owned restaurants. Cost of sales for the second quarter was 31.6% compared to the 27.2% we achieved in second quarter last year, a 440 basis point increase. Traditional wings were $1.90 per pound this quarter, $0.88 or 86% higher than last year's average of $1.02. Added to this increase is the lower wing per pound yield as a result of poultry producers moving production to larger birds and the result is that our cost per wing by the end of the second quarter was double the cost of last year.

We remind you that last year's cost per wings were the lowest cost since 2003. The effect is that both quarters are out of the range of what we would consider to be a normal cost of sales percentage of 29% to 30%.

Traditional wings accounted for 20% of our restaurant sales this quarter and boneless wings were 19% of sales, both the same percentage as second quarter last year. Food and non-alcoholic beverage sales were 78% of restaurant sales, also the same as last year.

Cost of labor for the second quarter was 30.2% of restaurant sales, 40 basis points lower than second quarter last year with hourly labor leveraging slightly. In the second quarter, restaurant operating expenses as a percentage of restaurant sales was 14.7%, a decrease of 20 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 6.3% last year, leveraging 40 basis points with our strong sales levels.

In summary, restaurant level cash flow, which is calculated before depreciation and preopening expenses, was $38.7 million or 17.5% of restaurant sales versus $35.1 million or 20.9% in the second quarter last year. By leveraging our other expense lines by 100 basis points, we lessened the impact from higher cost of sales to 340 basis points.

Depreciation and amortization for the second quarter was 6.7% of total revenue, 20 basis points higher than the prior year, nearly all of which relates to the incremental amortization for intangibles from the 2011 acquisitions of franchised locations.

General and administrative expenses were $21 million in the second quarter or 8.8% of total revenue compared to $18.8 million or 10.2% in the prior year. Excluding stock-based compensation of $2.7 million, G&A expenses for the second quarter totaled $18.3 million or 7.7% of total revenue compared to $15.4 million or 8.3% in the prior year, leveraging 60 basis points. We opened or relocated four new company-owned restaurants in North America during the second quarter compared to 17 new locations in the second quarter of 2011.

Preopening expenses for the quarter totaled $1.5 million versus $4.1 million last year. The $1.5 million includes $951,000 of preopening expenses for future openings that are under construction. And in the second quarter last year, we incurred $950,000 related to future openings. Preopening costs averaged $279,000 per new restaurants during the first six months of 2012.

The loss on asset disposals and store closures for the second quarter totaled $597,000 compared to $492,000 last year. Of this amount, $276,000 was related to the rollout of the new point of sale and back office systems at company-owned locations during the second quarter. Similar expenses for the continuing rollout are expected in third and fourth quarters.

We reported investment loss of $115,000 for the quarter compared to $152,000 in 2011. Investment loss from funds set aside for future payouts under our deferred compensation plan totaled a $149,000 compared to a loss of a $168,000 in the prior year. Investment income from our excess cash and marketable securities was $34,000, up from $16,000 last year.

Our effective tax rate during the second quarter was 33.5% compared to 32.8% in the prior year. For the full year of 2012, we expect our tax rate to estimate it at 33% to 33.5%. In summary, in the second quarter, we reproduced net earnings of $11.7 million, an increase of 9.3% from second quarter last year delivering earnings per diluted share of $0.62.

From a balance sheet standpoint, our June 24, 2012, our cash and marketable securities totaled $76.2 million compared to $60.5 million at the end of 2011. We ended the quarter with $506 million in total assets and $350 million in stockholders' equity. Cash flow from operations was $66.7 million for the quarter and we spent $44.4 million for capital expenditures. For the full year of 2012, we estimate capital expenditures of $150 million, not including the expected purchase of nine franchised locations.

Now I will highlight trends and provide some additional comments on the third quarter of 2012. For the first four weeks of the third quarter, our same-store sales are 6.8% at company-owned restaurants and 7.3% at our franchised locations as compared to same-store sales trends for the first four weeks in the third quarter last year of 4.9% at company-owned restaurants and 3% at franchised locations.

In the third quarter, we expect to open 14 company-owned restaurants in North America, which includes our first three Alberta location. Two of these units have already opened. In addition, we expect to purchase nine franchised locations during the quarter. Also, two of our older company-owned locations will close. In the third quarter of 2011, we opened 10 new company-owned locations. We also expect that our franchisees will open six restaurants during the quarter.

For cost of sales, the traditional wing market remains high with the price of chicken wings for the first two months of the third quarter averaging about $1.95 per pound. This compares to last year's average price for the third quarter of $1.16. We estimate that the rest of our commodities are contracted at an increase of about 3% over last year.

Our new menu rollout in July included a price increase. The potential menu price benefit for this increase and for increases in food and alcohol prices taken in prior quarters is about 3% for company-owned restaurants in the third quarter. In response to the continued high cost for wings, we are planning to take an additional increase in the price per wings in a supplemental menu update in September, which should provide an additional 1% benefit to our future restaurant sales.

We anticipate slightly higher labor cost as a percentage of restaurant sales in the third quarter to train for the rollout of our new point of sale system and staff for our new service strategy to further differentiate our brands. This should be more than offset by leveraging of operating expenses.

We anticipate that our G&A expenses in the third quarter, exclusive of stock-based compensation will be approximately $18.2 million. Third quarter stock-based compensation expense is estimated at $2.6 million compared to $2.7 million last year.

A reminder that full-year stock-based compensation expense varies depending on the level of net earnings achieved this year and estimates of net earnings in future years. The maximum expense in 2012 is estimated at approximately $10 million. We currently estimate opening 55 to 60 company-owned Buffalo Wild Wings locations in North America during 2012. Our franchisees will open 45 to 50 locations. Previously, our net earnings growth goal for 2012 has been stated as 20%.

Our focus for the remainder of the year is on sales driving initiatives and disciplined expense management. We are responding to commodity challenges with both menu price increases and marketing and operation strategies that will help lessen the bottom line impact in the near future and long-term. Considering these factors and provided sales remain strong, we should achieve net earnings growth between 15% and 20% for 2012.

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

Now, Sally will share some additional thoughts about the third quarter and the year ahead.

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

Thank you, Mary. We are very pleased with the strength of our brand. We are confident in our ability to provide a rewarding dining and sports viewing experience, which is driving our strong same-store sales and is evidenced in the increases in our guest satisfaction and our guest loyalty scores for the second quarter.

The elevated commodity costs that we are experiencing, particularly with the combination of high price per pound and lower wing per pound yield on wings, has created short-term pressure on our second quarter net earnings. We are responding with an intense focus on sales driving initiatives, menu pricing strategies and marketing and operations programs to maintain our top line performance and drive higher bottom line performance in 2012 and long-term.

With our proven track record and content, we are fully addressing this challenge, and I'll now share some of the exciting changes we have in motion for our brands and the new programs that will create engaging and unique experiences for our guests.

On July 11, we unveiled a fresh new logo that is being incorporated into our exterior signage marketing materials and packaging. The new look has a bold contemporary feel that more accurately reflects our brands, especially as we continue to expand internationally. We also have developed a new prototype restaurant. We have refined the design to emphasize the game as the focal point to create an atmosphere that feels like being in a stadium. One location is expected to open in the fourth quarter and a second location shortly thereafter.

Late July brings the start of the Olympics providing friends and family a great opportunity to celebrate the games at Buffalo Wild Wings. While our guests are watching the international competition, our menu panel will feature our own international flavors and three new Flatbreads, Thai Curry Chicken, Caribbean Barbecue Pork and Five Cheese Italian Pepperoni. Once the excitement of the summer games subsides, sports fans will turn their attention to all things football.

Our annual Fantasy Football Draft Party promotion gets football fanatics great reasons to host their draft parties with us, including $100 worth of our mouthwatering food and the best place to watch every game of the season. Due to the popularity of this promotion, we are increasing the number of draft party kits available this year by 50%. For the first time, we'll also have a radio play in July and August to support our summer promotion.

As the season kicks off, we'll begin airing three new TV spots and four new radio spots that demonstrate how important it is to protect the football in a true life, yet humorous way. Football fans know that game day is sacred and where they watch the game matters. Our spots will remind football fans that Buffalo Wild Wings has steaming hot wings, ice cold beer, the best viewing experience and avid fans with which to share it. The TV spots will air in college and NFL games and programming throughout the season, including the new Thursday night games that provide additional events for fans to gather around at our restaurant.

Yesterday, we announced that we have become a sponsor of a longstanding college bowl game that will now be titled as the Buffalo Wild Wings Bowl. We plan to make this a bowl game for football fans across the country and will bring the Buffalo Wild Wings experience to this exciting game for Big Ten and Big Twelve teams.

The Buffalo Wild Wings Bowl, which will be played in Tempe, Arizona on December 29 will generate widespread brand exposure and provides numerous opportunities to engage our guests throughout the season. We will also have an exclusive new promotion during the football season where our Facebook fans can upload photos to share how they protect the football.

Each week, a winner will be rewarded with six tickets to the Buffalo Wild Wings Bowl. Our more than 8 million Facebook fans will then select one of the weekly winners to be featured in our ad in Sports Illustrated Magazine and meet Sports Illustrated writer and radio host, Dan Patrick.

Our restaurant teams are gearing up for a great football season. While designated team members are keenly tuned to restaurant level profitability and the fundamentals of providing stellar food and drinks, others will be focused just on engaging our guests with the unique element that makes Buffalo Wild Wings the preferred destination for a great sports viewing experience.

In the second half of the year, we intend to continue investing in technology to upgrade our point of sale and back office systems to enhance functionality and our business intelligence and build a foundation for future guest-facing technologies and content.

Our guest experience team at the Home Office has a pipeline of new content and technology strategies in place and is currently testing new tableside technology platforms that will include ordering capabilities, entertainment such as games and trivia as well as tablet-to-tablet and tablet-to-screen engagement.

We also have exciting news on the international front. We've signed a new restaurant development agreement for up to 22 locations with highly experienced international operators. The agreement includes restaurants in Saudi Arabia and the United Arab Emirates, with options for four additional Middle Eastern countries over the next six years. In addition to this new territory, we've signed an agreement with an existing Buffalo Wild Wings franchisee to open four locations in Puerto Rico by the end of 2016. We anticipate the first opening to occur in 2013.

This is an exciting time for Buffalo Wild Wings. We've set strategies in motion to evolve our brand and ensure we remain compelling for our guests well into the future. We're innovating around every aspect of our brands, including our look, our facilities, the products we offer, our use of technology, sports, and our service strategy. We believe that with our dedicated focus on our guest experience and our concentrated efforts on operational excellence and profitability, we will continue to expand the Buffalo Wild Wings brand across the globe.

We are investigating additional concepts to acquire for continued growth and we believe we will be a restaurant company that generates industry-leading net earnings growth for years to come. For the never ending dedication, we thank our franchisees, our vendor partners and our team members for their passion for our continued growth and success.

Operator, we will now open the call to questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Ladies and gentlemen, we'll now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Brian Bittner with Oppenheimer & Co. Please go ahead.

<Q – Brian Bittner – Oppenheimer Securities>: Hi. Thanks a lot. Forgive me for the background noise. So, as far as the new – the guidance is concerned, the outlook, you did talk about how it's based on continuing strong sales. Is there any way you can kind of give us an understanding of what type of sales you're assuming in that outlook going forward for the second half of the year?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think that we have a number of sales driving initiatives that give us some confidence that our strong same-store sales will remain. In addition, we do have a little price that we're going to be taking. But the football season is traditionally a very strong time for Buffalo Wild Wings. We have the addition of some Thursday night games.

I think the excitement about – around the bowl game and how we engage our guests also will help keep us top of mind and some of the local marketing strategies that we'll use to pull guests in those markets where we will be part of the – where they will be part of the Buffalo Wild Wings bowl. A number of factors go into developing our forecasts for the second half of the year and we run the model in a variety of ways. And so, we feel pretty confident given our strong same-store sales in the first four weeks of July that – in excess of 6% that we're doing the right thing in our guests' minds and don't see any reason that won't continue.

<Q – Brian Bittner – Oppenheimer Securities>: Great. And then, so that we're kind of equipped to forecast the third quarter's comps accurately, is there any way you can kind of give us an understanding of maybe how much the Euro Cup final helped the first four weeks? And then, also what type of – maybe historically what type of benefit you've gotten from the summer games?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I can respond to that. The Euro Cup, I'm going to say, we had some small increases in some of our markets, it's not something that we track that close. For the first four weeks of July, we do have two UFC events versus one event last year. So we are one ahead on that. We will for the quarter have one additional event overall. So we'll have five events versus four.

We do have the Olympics. The Olympics did help us on certain days when we had it four years ago. So we're hoping that there are some great matchups and close contests that will keep people watching. And then the other thing that we have is incremental help, just one day in the third quarter is that the NFL has gone to Thursday night games throughout, so that there is one more of those in the third quarter. When we get to the fourth quarter then, we have five of those events incremental year-over-year.

<Q – Brian Bittner – Oppenheimer Securities>: Great. Thank you very much.

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

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

Operator: One second, please. Give me just one second, sorry about that. We are experiencing some technical difficulties. Please continue to standby. We are experiencing some technical difficulties. Please go ahead with your question Mr. West.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Hi, can you guys hear me?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah, and thank you, Jason.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Hi. Yeah, so just on the guidance again, just trying to understand why the reduction there when you do have your busiest season ahead, good comp momentum in July, it looks like a pretty favorable outlook for the rest of the year and the extra week in there. Is it just the fact that wings have been higher than you had originally modeled and the pricing is not going to be enough to get you back where you were or are there any other expenses or thoughts on the guidance?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I think there's a couple of things, wings are still high. We're running $1.95 for the first two weeks of Q3. We do have additional menu price going into effect in September. And our goal has been to try to get that cost of sales margin down under 31%. But it's hard to know if wing prices are going up from where they are today, if we're going to see them fall back at all. So I think we're cautious about where commodities may go, especially with all the news that the drought is having. We don't think that the trends from larger birds or too larger birds is going to change in the near future, so the reason why we are taking the additional price increase in September and we'll obviously monitor where that – where prices are and where the size of our wings are and work on strategies for the future to lessen the impact that wings have on our bottom line.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay, so – but the guidance assumes wings are sequentially higher and that you don't get any relief on the bird side going forward?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: For the near term, yeah. Yeah, I mean we feel really good about our top line. And I think we have some great things going in the third quarter and fourth quarter that Sally talked about in her part of the script. And so, I mean we're very confident on our ability to drive sales in to our restaurants. We're just not sure that commodities are going to work in our favor.

<Q – Jason West – Deutsche Bank Securities, Inc.>: Okay. Just a quick one, did you give the cost of the acquisition? I don't remember seeing that or hearing that.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: We did not. Yeah, our capital expenditure amounted $150 million for the year that does exclude the acquisition. We are not disclosing that price separately.

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

Operator: Thank you. And our next question comes 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, it's David Tarantino. Just another question on the guidance, I guess, Mary could you may be first explain sort of the impact and maybe basis points that the larger sized wings is having? I think you mentioned it caused wings prices to nearly double but perhaps if you can fine tune the math on that and then maybe talk about kind of what the overall impact on the earnings for the year is related to that factor alone?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: From the wing standpoint, so the cost of sales was up 440 basis points for the quarter. About 410 basis points was related to wings. The other 30 basis points on mix shift. We talked about the per pound price going up 86% over prior year. The additional yield loss that we had with the bigger wings, we estimate was somewhere between 50 and 75 basis points in that cost of sales increase.

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

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Our goal again is to get for a longer and normal range basis, our cost of sales should be somewhere between 29% and 30%. Obviously, we are over that now. We are trying to bring it that down with some menu pricing to get it under that 31% level. And we're doing a really good job on the other pieces of our P&L on leveraging on our expenses, both in the restaurant and our G&A. If we were more in that normal range, if we had just gotten to a 30% cost of sales in the current year, our bottom line would be up over 30%.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Understood. And Mary just to kind of understand how you're thinking about managing through the situation, especially in the scenario where wing costs might move higher with the grain prices coming up. How are you thinking about incremental price increases beyond the ones that you've talked about, especially as you look into 2013, you could be seeing more inflation, not less inflation? And just wondering how you're thinking about managing through that and managing that cost of sales line down.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: David, this is Sally and I'll answer that. As we think about our longer term strategy on pricing, one of the things that we're going to begin testing, and this is as a result of the lower yield on the wing per pound, and that is taking a look at how we sell on the menu. Right now, they are in quantities of 6, 12, 18 and 24 and have been for a long time. We're going to begin testing. While we don't have the descriptions yet for how we'll describe it, maybe it's a single, double, triple, something like that or the extra kick, I don't know. We'll let marketing deal with that.

But, so that as – if yield becomes an issue, you can modify the quantity going into that single, double and triple order. One of the things about the yield, although the wings are getting – the wings are larger, they also provide additional protein to the guest. So having five wings versus six wings, you may actually be getting more value if you could call it that. So there are jumbo wings. But we'll test that out whether single would be four, five, six or seven wings and quantities for the double. So that's from a longer term standpoint.

We did increase the price of our Wing Tuesday on Tuesdays in almost all company markets going from $0.45 to $0.50 on Tuesdays and have not seen any resistance to that price increase at all, which gives us some confidence that should wings remain high with their – there is a possibility for Wing Tuesdays, we could go in and take another price increase. We're going to start – we're going to do some market research around that as well to see if there is a price level that has – where we have any guest resistance. So again, we've got a number of strategies on the cost of – for cost of sales and particularly for traditional style wings and combine that with some of the marketing messages out there, whether it's our menu and build your own burger, things to try to move guests a little bit off that traditional wings. And hopefully, we will see some release there as well.

<Q – David Tarantino – Robert W. Baird & Co. Equity Capital Markets>: Okay. That's helpful. But I guess coming back to the question of how you're thinking about managing and going forward, I know you have some incremental pressure this year, but as you think out to 2013 and 2014, I know you don't want to give specific guidance. But is that reasonable to think that some of these measures you are talking about are going to be in place and you will be able to hold on to the restaurant level margin or maybe recoup some of the restaurant margin that you've lost this year as you look out in to 2013 and 2014?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Oh, sure. That's absolutely our goal. We're – and again, as we talked about in our prepared comments, 2011 cost of sales was unusually low, lowest wing prices since we went public in 2003. This year highest wing prices we've ever seen at a sustained level. Now, there's nothing to indicate that wing prices are going to change. So, taking a look, and when I'm talking about the quantity component whether we now move instead of a 6, 12, 18 to a single, double, triple, we are testing that currently and it's our goal to have something available for the system when we have a new menu rollout in the January, February timeframe. So that would actually include a different – it's not the quantity base.

So that's from the wing standpoint. And that seems to be our most volatile component. As I mentioned, Wing Tuesdays, we've always been particularly – I mean it's been a sales driver of ours. We can take price. It's hard to believe that wing prices could go much higher. The good news is, they really – I don't think they can grow too much bigger chicken. So, the yield issue should subside after we lapse this in a year. So, we'll look at Wing Tuesdays, perhaps Wing Tuesdays will add bonus to Wing Tuesdays so people that would maybe be buying traditional wings have the option of buying boneless, which we do contract at.

I think normal price increases should normally – should take care of any commodity price pressures we see outside of traditional wings. Then of course you take a look at labor and what we can do. We've had a concentrated effort or have one going on and how to normalize some of the labor costs in new restaurants. And we have a group dedicated to that and we're starting to see in the restaurants where they are focused some incremental improvement there and we think that has opportunity, primarily in 2013 and beyond.

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

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

<Q – David Dorfman – Morgan Stanley & Co. LLC>: I was wondering if you could maybe walk us through your development guidance for the year, specifically why it's been so much slower in the front half and especially on the franchise side as well? And then walk through the math, it sounds like you are expecting 30 plus units on both the – there's 30 plus openings for the company and franchise development in the fourth quarter. And then sort of the effect that would have on the average weekly sales gap that we saw out of the comp, it sort of slowed to 2%. Would you expect once you are at 30 units opening again, and that pops back up to 400 plus basis points?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I'll walk through the pipeline for the deal. So, in Q3, we have 14 company stores expected to open. And then in the fourth quarter based on where we are in construction for those units now, we estimate somewhere between 27 and 32 company stores opening before the end of the year. On the franchise side, there's six that are opening up in the third quarter, and then we think right now between 26 and 28 franchise units in the fourth quarter. So, definitely back weighted. We have seen that coming most of this year as we've gotten through the building permit process for our company store operations.

Your question regarding the average weekly volumes, we have seen it get a little bit closer, we're still above it, about 170 basis points, but it has gotten a little closer. We do have to remember that in that new restaurant group, we also have the stores that we purchased last year. And we had 17 locations that would still be not comping, and those were pretty much at the average for our company stores.

So, similar effect will be in effect for the nine stores that we're purchasing that we hope to close on before the end of the third quarter. Those purchased stores are basically at our average weekly volume for company stores. So, they won't help give us a lift like a new company store would give us when we are opening up in a new market.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: So, there's really nothing, you're not concerned about any of the sort of back weighted or the fourth quarter weighting here that maybe things are slower than they should be, this is sort of on your plan?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: We'd known that we are going to be very back weighted this year at the beginning of this year or before. We were finding that permitting was taking longer, city approvals, many of these city and county governments have been faced with cutbacks because of lower tax revenues and cut hours or people. And so permitting was taking longer, banks were requiring additional guarantees or covenants by landlords. And so, we were aware of that. While it would be great for their new restaurant opening team to spread it out over an entire year, we're comfortable that we have the teams in place to be able to open them in the fourth quarter. And the good news is they will be open for the first part of 2013. We will have higher preopening costs, not necessarily on a per unit basis, but just in total in the fourth quarter.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: And can I just squeeze one in on the top line and maybe you can just talk about the volatility that you see maybe, whether it's month-to-month or week-to-week. You had a very strong start to the quarter and the total number for the quarter implies a sort of dip down maybe into the fours by the back half of the quarter and then sort of a strong start to the next quarter. So just how do you think about that volatility? Is it more macro driven? Or are there things going out in your stores that you think are directly responsible for the up and down?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I don't know that that's necessarily changed much year-over-year or for the past several years. We – often April depends on when Easter falls, we usually have the finals of the NCAA basketball tournament falling in April, things kind of tail off as we kind of move into that late May, early June timeframe and then seem to pick up again, whether it's the youth sports in July and as we move into football season. Nothing comes to mind, it's not something that we're concerned about and it doesn't seem to be any different than it's been in past years.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: So to the extent, I mean, we've heard a couple of other companies talk about macro pressure, you think yours is more of the normal course of business for you right now and the macro is just sort of where it's been as far as this affecting you?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I would say it's just normal course of business for us and how our sales team to occur each year. We don't often point to macro issues because it's so interwoven with sports or events and things like that. And with same-store sales, where they're at, it's hard to focus, I guess or to blame macro issues.

<Q – David Dorfman – Morgan Stanley & Co. LLC>: All right. Thank you very much.

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

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Great. Thanks and good afternoon. And actually just a follow-up on that last question with that 6.8% July comp. So, it sounded like you made this clear, but are there any calendar shifts or price increases, anything that could possibly inflated that number I guess we're all trying to get a read as to whether or not again in a normalized environment, which we're clearly not in, but if this type of number is sustainable over the next few months and there is potentially something that could either come up or fall off in terms of same-store sales drivers that could lead to deceleration of this comp growth over the next few months. So any color there at all you can provide?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. From an event standpoint, Jeff, the only thing – we did have one more UFC fight in that four-week period versus last year. So that's a one day kind of thing we do have for the full quarter one more. So we won't lose that advantage if that's the concern. And then we do have one more Thursday night game in the third quarter. So from an event standpoint, third quarter over third quarter, we have those additional events plus the

Olympics. So I think from just a sports standpoint, we think that the third quarter and the fourth quarter are – look pretty good for us.

<A – Sally Smith – Buffalo Wild Wings, Inc.>: From a – on a same-store – or from a pricing standpoint, we are at 1.8% for going into the third quarter and I'm not sure what we were....

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

<A – Sally Smith – Buffalo Wild Wings, Inc.>: ...for the second quarter and that goes into the third. We'll get about another percent when we rollout revised menus in September and as compared to prior year, I don't know what our pricing prior year was.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Pricing was a little lower. We have our July menu price increase.

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

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: That just went in effect and we will be at a 3% run rate in the third quarter. That I think we have just one or two weeks' benefit in that four-week time period for the menu price increase.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. That's helpful. And then, just in terms of not necessarily rogue franchisees, but if you look at the franchise group, and I don't know how much information you have about their pricing decisions. But have you seen any of these area developers or franchisees take sort of a more aggressive stance with pricing in the face of this huge wing inflation? Has anyone taken some sizeable pricing or pricing that's greater than the system? And if so, any sense as to the type of results we're seeing, if they're seeing traffic push back?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. I'm not aware that anybody has been more aggressive than they are. We obviously have different pricing tiers across the country from both our company-owned and our franchised locations and they have taken increases across all of those menu tiers. The September increase that we're planning on taking, which will provide another 1% to our top line, so for the fourth quarter we'll be at about a 4% increase on menu price for company-owned stores. I think that's pretty close to franchisee and they may actually be slightly less than that. But we would anticipate that they as a group would go – will be taking an increase in September as well.

<Q – Jeff Farmer – Wells Fargo Advisors LLC>: Okay. And then final question, if you sort of look left and right, I don't know how much information you have here, but as your competitive set and that sort of the sports bar with the focus on the wings, Hooters, et cetera, I don't know again how much intel you can pull out of this, but have these guys been aggressively pricing or do you feel like you are in a situation where you can't take too much pricing, because if you take more than some of your competitors then theoretically you're losing share, has it gotten to that point?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: No, we think we still have room to take it. I mean, obviously we're feeling commodity pressures on wings. The competitors are feeling the same pressure as well. And with – I think uncertainty in the commodity market not just for wings, but for beef, and for pork, and for dairy. I mean, those will be felt across our restaurants whether they are sports bars or not and in the grocery stores. So I think we feel confident in what we're doing for September. If there continues to be commodity pressure longer term on wings or chicken or any of the other things, I think that will be reflected across the industry.

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

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

<Q – Will Slabaugh – Stephens, Inc.>: Yeah, thanks. Just wanted to ask about pricing, really quickly just to double check. So, 3Q you mentioned to be running about 3%, moving that to 4% in September. Wondering if you could talk about when that would take place in September, if you knew that date? And then also the additional 1% in September, is that going to be targeted solely at wings, if I read it correctly?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yes, the price increase – the incremental price increase that we are taking in September will be targeted at wings and I believe those menus will be in store – we believe September 3.

<Q – Will Slabaugh – Stephens, Inc.>: Okay. Great, and then also I know in the past you've mentioned just having core menu prices in general of wings, beer, below key peers. And I assume that's still the case, just didn't know if you happen to have any metrics around that?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I'm not sure I understand your question.

<Q – Will Slabaugh – Stephens, Inc.>: Yeah. So just talking about historically that that your wing cost, your beer cost, a lot of your core menu prices still having that value – that value...

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

<Q – Will Slabaugh – Stephens, Inc.>: Price below your peers?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. We take a look at that on an ongoing basis with every menu printing and rollout. We take a look to say, okay, where do we compare on hamburgers, on beer, on salads, and we believe that we're somewhere between $0.50 and $1 below our competitive set.

<Q – Will Slabaugh – Stephens, Inc.>: Okay. Great. And just lastly for me from a cost perspective, as we think about the second half of this year and then into 2013, is there anywhere we should expect more or less leverage than we've been seeing as you scale in some of these newer markets, either from a labor or operational standpoint?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I definitely think there is two areas I would focus on, the newer markets, labor and new restaurants. We let them have pretty much a lot of leeway in those first three, four months. I think what we need to do is after they get to that four months period, set them a little more aggressive labor targets to bring them closer in line with stores in the comp group.

I think the other thing is we still have restaurant openings in relatively new markets, which maybe had one or two restaurants, they may not have a training store there yet, and so we have a focus on the new markets getting a training store up and running as quickly as possible, so that we don't have to send managers out of market for their seven weeks of training. We think that can impact the training cost in our G&A as well as perhaps a little preopening.

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

Operator: Thank you. And our next question comes from the line of Jeffrey Bernstein with Barclays. Please go ahead.

<Q – Jeffrey Bernstein – Barclays Capital, Inc.>: Great. Thank you. A couple of questions. Just first as a follow-up on that pricing comment. It seems like you'll get it up to close to 4% in the fourth quarter. I'm just wondering if that's something that you've tested already. I know you said you took up the Wing Tuesdays from $0.45 to $0.50. I'm wondering whether that's 4% in the fourth quarter, you view that as kind of a ceiling or whether or not pressures persist, kind of what's the relative range, how high would you go or what testing have you done to give you confidence that that 4% might not have a negative impact?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Well, we have been as high as 4% before, obviously, we are very cautious about menu pricing. But again when there's commodity pressures that we are feeling, we're pretty confident other people are feeling those same pressures as well. So we feel good about what we've taken in July, the trends we have so far don't show push back. We'll continue to monitor those as we get ready for the September price increases. We are very focused on making sure our operations is providing great service, great hospitality at the unit, so that people do feel a value for the great food that we serve. And we'll monitor and watch our trends in our restaurants from a sales standpoint.

<Q – Jeffrey Bernstein – Barclays Capital, Inc.>: Okay. And then the new unit openings that you just talked about in some of the newer markets, I'm just wondering whether you can give us an update. I know it often comes up with your story because it seems like perhaps you are at or certainly halfway to your maturation in terms of the U.S., but I know the newer markets and the bigger markets, more coastal markets, we are seeing tremendous sales strength, perhaps much above what you're thinking. So I'm just wondering if we can get an update on those newer markets, how things are trending relative to the broader system and the opportunity over the next few years in those markets?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Sure. I think it's evident by our average weekly volumes, our average unit volumes that new markets are definitely ahead of the existing market base, partly due to the fact that those are the dense populations, they are on the coast, so great population base for us. We're kind of mixed in two things, maturation of the system, we believe we can have close to 1,500 units in the United States and Canada. And we are currently at about 800 units – almost 850 units. So about halfway there. So we think we still have a lot of runway in the U.S. and in Canada.

And we think that the results in the newer markets, be it in a densely populated or in just a normal town, shows some great opportunities in existing markets to increase our average unit volumes in those markets, whether it's through a remodel or a relocation or just some of the other programming that we're working on as we go into the last half of this year and into 2013 that will continue to make Buffalo Wild Wings not just for great sports viewing but other reasons for the guests to come into the restaurants.

<Q – Jeffrey Bernstein – Barclays Capital, Inc.>: Okay. I think you had mentioned over the past year that in the early days going into these newer markets, you have to invest more heavily in G&A for training centers in just kind of those first two units. But is it now safe to say that in those newer markets, more of those coastal, more densely populated markets, the heavy investment is over and now you potentially reap some of the benefits of leverage as you further pursue those markets?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: I think we will in 2013. We still have two locations I think in Seattle, so I still consider that a new market, even though we've been in there for a year. It usually takes a restaurant up to a year to become a training center. So you still end up sending team members out of market for training. We will have more restaurants in the Seattle market. California is a big state and every time you open, let's say, it's Los Angeles or San Diego, you're kind of reestablishing yourself, getting that training center. But we are starting to get there. Certainly in Salt Lake City, I think we are opening our third and fourth restaurants there. That should be able to sustain itself in being able to train those managers. So I would say that we have some – that the big markets that are new markets for us will reach that ability to self-sustain itself in 2013 and as we move into 2013 and to 2014 certainly.

<Q – Jeffrey Bernstein – Barclays Capital, Inc.>: And lastly, you mentioned that acquisition topic again, which I know we talked about last quarter. I was just wondering, it doesn't seem like there is a sense of urgency behind it. But in an ideal scenario, I mean, what's kind of the ideal timeline for perhaps adding a second brand? I think you said whether it'd be fast-casual or casual dining?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. I mean I think we have several years to continue to explore. We've mentioned before what our criteria is. We'd like to be able to be a nationwide brand to be franchisable, differentiated from competition and not a competitor of Buffalo Wild Wings. Our franchisees are interested in expanding and so we're not really interested in the turnaround and acquiring something that needs to turnaround. And again, over the next six months or, I guess, through the end of the year, it's my focus as well as one of the leadership team members as we look at additional concepts and I think we have several years in order to make that acquisition or acquisitions.

<Q – Jeffrey Bernstein – Barclays Capital, Inc.>: Great. Thank you.

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

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Thanks. Matt DiFrisco, Lazard. Just had a question. I wanted to clarify a couple of things. I think you said in the quarter, was the comp – was the price embedded in the comp 3% throughout the entire quarter in 2Q?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: In 2Q, it was 1.8%.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And then...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: [ph] 3% (58:05) for the third quarter.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Got it. And then as far as 4th of July, I think Malcolm Knapp called it out in his numbers that given the fact that it's fell on a Monday last year, Wednesday this year that the Saturday he saw a lift. That would have fallen in your first couple of weeks of July. Did you see a lift on that? Is that someone embedded in that plus 6% comp number quarter to-date or did you not see a benefit on that Saturday?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. We had a pretty good week for 4th of July, but I think we had pretty good weeks for all four weeks in July with the way that the UFC fight went. So I think we had a good 4th of July and I don't know if it's because the day changed or...

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. As I think of how as we – when we review sales monthly and we review time of the day, day of the week, nothing stands out from – nothing was called out for 4th of July.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And then, I guess, looking at sort of the traffic numbers and the degree of labor, I guess, you've spoken about this a couple of times and you referred to it as sort of there's a opportunity there to get a little bit more efficient off the newer stores with better labor management in the years to come. I guess, could you comment on the 60 or so stores you opened over the last year-and-a-half, is it implied then because of sort of a inference that there is labor opportunity there? Are those cash flow margins of those newer stores, even though they are significantly bigger volume wise and size wise, are they continuing to be sort of this lower contributor on the margin front?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Their labor percent do run higher than what our comp stores do as a group. So we do see them coming closer to model sooner in their lifecycle than we did a year ago.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: And is there any concern, I guess, is that implied in the guidance as far as now the new guidance of 15% to 20% for the full-year, the back weightedness of, I guess, the fourth quarter your opening schedule of over 20 stores would be the first time you've ever opened that many as a company, does that imply some dilution from those new stores?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: We had quite a strong opening in the fourth quarter last year as well, probably up a few restaurants. So it would probably – I mean, we've factored that in whether I would have it be significant dilution on, I can't – I wouldn't point to them. I would point to yield and wing prices.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And then just last question, as far as you said that there would be about a 4% run rate by the time we hit the fourth quarter, can you tell us when the most significant price increase would be scheduled to roll off or you lap, would it be in the first half of 2013?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: There is some menu price that will roll off in January of 2013. And I would guess it'd be in that 1%ish.

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: 1% to 2%, yeah, typically.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And you earlier said that you haven't seen Tuesday slowdown on where you took the price increase on the wings. But I guess as far as the traffic slowing a little bit throughout the quarter, is there any correlation towards the price increase on any part of the menu or was it just, I guess, a gradual slowdown on the traffic side?

<A – Sally Smith – Buffalo Wild Wings, Inc.>: Yeah. The change in Tuesdays didn't happen until mid-May and mid-June, so it doesn't seem as though, there were – as I said earlier, it seems to be – or at least it feels like it's been a pretty difficult second quarter as compared to other years of second quarter.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Okay. And then is there any benefit that you can tell us now at this time from the 53rd operating week, how much in earnings that would contribute to the 2012 outlook?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: No, we haven't given specific guidance on that. Just wanted to say that lines that leveraged significantly are occupancy and depreciation.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Right. I just know some of your peers, if we could get some guidance as we get throughout the year because some peers who have had that this year, they took a little bit of profits in the first quarter, which is always hard to sort of navigate. So I'm just curious if that pulls from the first quarter at all, since that's a Big Bowl week, et cetera?

<A – Mary Twinem – Buffalo Wild Wings, Inc.>: Yeah. It's really from a sales standpoint. So it is – last year that week would have been our first week in the first quarter. So it is a pretty high sales week for us. So there may be a little bit of trade-off on the top line.

<Q – Matthew DiFrisco – Lazard Capital Markets LLC>: Understood. Thank you.

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

<Q – Larry Miller – RBC Capital Markets Equity Research>: Yeah. I'm good. Mary, I'll follow-up with you offline. Thanks.

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

Operator: And we have no further questions. I'd like to turn it back over to management.

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

Okay. Well, I want to thank everybody for listening in on our second quarter 2012 conference call. We look forward to providing our next update during our third quarter conference call, which will be in October. Thanks again for your questions and for being interested in Buffalo Wild Wings.

Operator: Ladies and gentlemen, that does conclude today's presentation. Thank you for your participation. You may now disconnect.