THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BWLD - Q3 2013 Buffalo Wild Wings, Inc. Earnings Conference Call

EVENT DATE/TIME: OCTOBER 29, 2013 / 9:00PM GMT

OVERVIEW:

BWLD reported YTD 2013 diluted EPS of $2.69. 3Q13 revenues were $315.8m and diluted EPS was $0.95.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Mary Twinem *Buffalo Wild Wings Inc - CFO and EVP*

Sally Smith *Buffalo Wild Wings Inc - President and CEO*

James Schmidt *Buffalo Wild Wings Inc - COO*

CONFERENCE CALL PARTICIPANTS

Jeff Farmer *Wells Fargo Securities, LLC - Analyst*

Brian Bittner *Oppenheimer & Co. - Analyst*

John Glass *Morgan Stanley - Analyst*

Jeffrey Bernstein *Barclays Capital - Analyst*

Jonathan Komp *Robert W. Baird & Co. - Analyst*

Bryan Elliott *Raymond James & Associates - Analyst*

Alvin Concepcion *Citigroup - Analyst*

Alex Slagle *Jefferies & Company - Analyst*

Jason West *Deutsche Bank - Analyst*

Will Slabaugh *Stephens Inc. - Analyst*

Chris O'Cull *KeyBanc Capital Markets - Analyst*

Bob Derrington *Wunderlich Securities, Inc - Analyst*

Greg McKinley *Dougherty & Company - Analyst*

Mark Smith *Feltl and Company - Analyst*

Conrad Lyon *B. Riley & Co. - Analyst*

Nick Setyan *Wedbush Securities - Analyst*

PRESENTATION

Operator

Good day and welcome to the Buffalo Wild Wings 2013 conference call.

(Operator Instructions)

I would like to remind everyone that this conference call is being recorded. I will now turn the call over to Mary Twinem, Chief Financial Officer, and Executive Vice President of Buffalo Wild Wings. Please go ahead.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Good afternoon, and thank you for joining us is we review our third-quarter 2013 results. I am Mary Twinem, Chief Financial Officer and Executive Vice President of Buffalo Wild Wings. Joining me today is Sally Smith, our President and Chief Executive Officer. By now everyone should have access to our third-quarter earnings release. Before we get started, I remind you that during the course of today's call various remarks we make about future expectations, plans and prospects for the Company constitute forward-looking statements.

Actual results may vary materially from those contained in forward-looking statements based on a number of factors, including but not limited to, our ability to achieve and manage our planned expansion, the sales and other growth factors at our Company owned and franchise locations, our ability to successfully operate in new markets including non-US markets, unforeseen obstacles in developing sites including nontraditional and non-US locations, success of acquired restaurants and investments in new or emerging concepts, the cost of commodities, the success of our key initiatives in 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 US Securities and Exchange Commission.

On today's call Sally will provide an overview of our performance for the third quarter. After that I will provide further detail on the quarter and comment on trends to date in the fourth quarter. Finally, Sally will share some additional thoughts about the fourth quarter of 2013 as well as next year. We will then answer questions.

With that I will turn things over to Sally.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Good afternoon, everyone. We are proud to share this quarter's results as we approach our 10-year anniversary as a public company. Revenue increased 27.9% which helped fuel impressive net earnings growth. We increased the number of company-owned restaurants by 21% with continued new unit growth and franchise acquisitions compared to third quarter last year, and same-store sales increased 4.8% at Company-owned restaurants and 3.9% at franchise locations. The cost per pound for traditional chicken wings was lower than the last year, and our cost of sales percentage was 30%, the lowest percentage since fourth quarter of 2011. As a result we grew our net earnings 66.9% achieving earnings per diluted share of $0.95 for the third quarter. Same-store sales and company-owned locations improved in the quarter from 1.5% in the first four weeks of July to 4.8% for the quarter.

We partnered with Yahoo! Sports and hosted fantasy football national draft day parties in our restaurants. Same-store sales gained momentum in August and September demonstrating we are a destination for football fans. For the quarter franchise same-store sales increased 3.9%, same-store sales for both company-owned and franchise locations out-paced the casual dining category, and this growth is on top of same-store sales in the prior year of 6.2% and 5.8% respectively. On July 15, we transitioned to our new way of serving our traditional and boneless wings by portion, snack, small, medium and large. Guests now receive a more consistent amount of chicken in their order rather than a fixed number of wings. Team members were well trained to speak to our guests regarding this transition to wings by the portion, and overall we are pleased. Our summer menu panel featured a selection of great salads.

They included a spicy bloody mary chicken salad, a mediterranean salad and a chicken chopped salad. Our second menu panel in the quarter began September 2 and features appetizers perfect for sharing with friends while watching a football game. They include Not Your Ordinary rings, cheese curds, and the Garden Crasher platter. Game Changer, a craft beer brewed by Redhook, also launched in our restaurants on July 15. This beer was developed with guest feedback and was made to purposely pair with wings and sports. The launch of Game Changer exceeded our estimates, and it was in the top five selling draft beer is in the third quarter in our Company-owned restaurants. Beginning September 3, guests are playing the Big Kick Challenge in our restaurants on their mobile devices for chances to win a trip to the second Buffalo Wild Wings Bowl and other prizes.

The number of downloads and plays is ahead of plan supporting our strategy to create new ways for guests to interact with our brand. In summary, we are very pleased with the results we achieved for our third quarter. Sales were robust, and traditional wing costs have abated from last year resulting in considerable net earnings growth.

Mary will now provide additional details on the third quarter as well as the fourth quarter-to-date. Then I will return to talk more about the fourth quarter and our initial thoughts for 2014.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Thank you, Sally. Our revenue in the third quarter reached $315.8 million increasing 27.9% over last year. Company-owned restaurant sales for the third quarter increased to $295.7 million, a 29.5% increase over the same period in the prior year. Same-store sales were 1.5% in the first four weeks of the third quarter. For the quarter, same-store sales increased to 4.8%, up over same-store sales in the prior year's quarter of 6.2%. Same-store sales out-paced menu price changes taken during the past 12 months of 2.9%. We had 72 additional Company-owned restaurants in operation at the end of this quarter versus third quarter last year, a 21% unit increase.

Average weekly sales increased by 0.8% in the third quarter, 100 basis points higher than our same-store sales percentage. The average weekly sales calculation benefited by 70 basis points from newly opened locations during the last 15 months and the remaining 30 basis point increase is from the closing of older lower volume locations during the last 12 months. Revenue on franchise fee revenue -- royalty and franchise fee revenue for the quarter grew 9% to $20.1 million versus $18.4 million last year with an additional 23 franchise units in operation at the end of the third quarter versus a year ago. Same-store sales at franchise locations increased 3.9% in the quarter compared to 5.8% last year. Franchise average weekly sales for the quarter increased 6%, a 210 basis point increase over same-store sales. Franchise locations opened during the last 15 months contributed 140 basis points of the increase. Store closures of older lower volume locations contributed 40 basis points, and the sale of franchise units to the Company contributed the remaining 30 basis points.

The following comments will focus on the performance of our Company-owned restaurants. Cost of sales for the third quarter was 30% of restaurant sales compared to 31.2% in third quarter last year, a 120 basis point decrease. This is the lowest cost of sales percentage since the fourth quarter of 2011. We estimate the launch of wings by the portion contributed 40 basis points of the year-over-year improvement. Traditional wings were $1.71 per pound this quarter, $0.26 or 13% lower than last year's average of $1.97. Food and nonalcoholic beverage sales were 79% of restaurant sales in the third quarter of both years. Traditional wings accounted for 20% of sales in the third quarter compared to 21% last year, and boneless wings were 21% of sales, up from 19% last year. Cost of labor for the third quarter was 30.3% of restaurant sales, 20 basis points higher than third quarter last year.

Hourly labor increased 70 basis points compared to the prior year as we added guest experience captains and have additional Canadian locations. This increase was partially offset by the benefit we receive as we transitioned to the new managers structure. As a reminder, our guest experience business model is a comprehensive approach to restaurant operations, which includes not only the addition of guest experience captains, but also a refined managers structure with clearly defined roles and the introduction of new guest technology including unique tabletop tablets and development of a proprietary TV network. In the third quarter restaurant operating expenses as a percentage of restaurant sales was 15.1%, a decrease of 10 basis points from the prior year. Occupancy costs were 5.8% as a percentage of restaurant sales, which was a 10 basis point decrease from last year.

In summary, restaurant level cash flow which is calculated before depreciation and pre-opening expenses was $55.3 million or 18.7% of restaurant sales, versus $40.3 million or 17.6% in the third quarter last year, a 110 basis point improvement. Depreciation and amortization for the third quarter was 6.8% of total revenue, flat compared to the prior year. General and administrative expenses were $24.7 million in the third quarter or 7.8% of total revenue, compared to $21.8 million or 8.8% in the prior year. Excluding stock-based compensation of $3.3 million in the third quarter and $2.3 million in the prior year, general and administrative expenses for the third quarter totaled $21.4 million or 6.8% of total revenue compared to 7.9% last year. Third-quarter stock-based compensation of $3.3 million was $500,000 higher than estimated reflecting our new expectation of stronger net earnings performance for the current year.

We opened eight company-owned restaurants in North America during the third quarter, compared to 15 new locations in the third quarter of 2012. Pre-opening expenses for the quarter totaled $3 million versus $4.5 million last year. The $3 million includes $1.3 million of pre-opening expenses for future openings that are under construction, and in the third quarter last year we incurred $1.4 million related to future openings. Pre-opening costs averaged $268,000 per restaurant during the third quarter and $304,000 per restaurant during the first nine months of 2013. The loss on asset disposals and store closures for the third quarter totalled $902,000 compared to $788,000 last year. We reported investment income of $383,000 for the quarter, compared to investment income of $418,000 in the third quarter last year.

The effective tax rate during the third quarter was 30.4% compared to 29.4% in the prior year. We estimate the effective tax rate for the full-year 2013 will be approximately 30%. In summary, we achieved record net earnings in the third quarter of $17.9 million, a 66.9% increase over $10.7

million last year. Earnings per diluted share increased $0.38 over the prior year to $0.95 in the quarter. On the balance sheet on September 29, 2013, cash totaled $36.7 million compared to $21.3 million at the end of our fiscal 2012. We ended the third quarter with $632 million in total assets and $442 million in stockholders equity. Cash flow from operations was $122.4 million for the first nine months of the year. We estimate that capital spending for the full-year of 2013 will be about $153 million, which does not include funds that we have spent or may spend for franchise acquisitions or emerging brand investments.

As of September 29, we have spent $96.6 million for property and equipment and $10.3 million for franchise acquisitions and our equity investment in PizzaRev. Now I will highlight trends and provide some comments on the fourth quarter of 2013. For the first four weeks of the fourth quarter, same-store sales are trending at 5.3% at Company-owned restaurants, and 3% at franchise locations. For comparison purposes, same-store sales trends for the first four weeks in the fourth quarter of last year were 3.8% at Company-owned restaurants and 5.6% at franchise locations, and for the full fourth quarter 2012, were 5.8% at Company-owned and 7.4% at franchise locations. The potential menu price benefit in the last 12 months is about 1.3% for Company-owned restaurants in the fourth quarter.

We expect to open 22 Company-owned restaurants in the US and Canada during the fourth quarter, which includes the relocation of an older unit. Six of these units have already opened. As a reference point, in the fourth quarter of 2012, we opened 22 Company-owned locations and closed two older locations. We also acquired 18 locations from franchisees in the fourth quarter last year. We also expect that our franchisees will open about 22 restaurants in the United States during the fourth quarter with four already open. Franchisees opened 18 and closed one restaurant in the fourth quarter last year. In addition to this growth, we expect our franchisees in Mexico's to open two locations in the fourth quarter, the first restaurants to open outside of the United States and Canada.

The cost of sales, the cost of chicken wings for the first two months of the fourth quarter will average about $1.75 per pound. Our monthly cost is calculated on the average of the prior month's wing market plus markup for processing and distribution. Recently the wing market has shown weakness with current prices below $1.60 per pound. As a reference point, last year's average cost for the fourth quarter was $2.07. Regarding other commodities, we anticipate the cost of beer will increase in the fourth quarter. Our chicken breast meat contract, which includes boneless wings, extends through March, 2015 at flat pricing. For food commodities other than traditional wings, we foresee minimal cost increases in 2014. We anticipate higher fourth-quarter labor costs as a percentage of restaurant sales compared to prior year with an increase of 30 to 40 basis points.

Guest experience captains will be added to Company-owned restaurants opening in the fourth quarter, and at 20 of our existing training restaurants. We anticipate that G&A expenses in the fourth quarter, exclusive of tax -based compensation, will be $21 million to $22 million. Fourth-quarter stock-based compensation expenses estimated to be $3 million compared to $1.9 million last year, 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 July, we reaffirmed our net earnings growth goal of 17% for 2013 when calculated on full-year 2012, equating to 25% on a 52-week basis. For the first nine months of the year, earnings per diluted share totaled $2.69, and net earnings have grown 25%. Based on the results of the first nine months, and the comments we've shared about the fourth quarter, we now expect to exceed the 2013 goal and anticipate net earnings growth of 20% for 2013 when calculated on a full-year 2012 equating to 28% on a 52-week basis. Please review the risk sections outlined in our SEC filings including our 10Q for the third 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 fourth quarter and 2014.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Thank you, Mary. We had a great third quarter. Revenue and net earnings grew significantly, and our restaurants continue to focus on providing a great game day experience and maximizing sales opportunities throughout the football season. Our new menu panel launched yesterday and features four specialty burgers including the Stampede burger and the Hail Mary burger, all sure to satisfy the hunger of football fanatics. And for long-time fans we have brought back an updated version of the 1982 Pepperoni Pockets, an old appetizer favorite. Our new television commercials featuring Inner Coach are now on air and keep our brands top of mind during football season. And we are preparing for our second Buffalo Wild Wings Bowl and are excited that guests can win a trip to the bowl.

We will also begin our in-store holiday gift card promotion in November offering guests a blazing bonus reward when a $25 gift card is purchased. We believe gift cards drive incremental visits in the following year. As we look beyond 2013, we will continue to build Buffalo Wild Wings into an even stronger brand. We will remain focused on providing a unique, compelling and social sports [doing] experience for our guests through our guest experience business model. We will continue to focus on providing a fun, rewarding and competitive work environment for our team members. Our restaurant teams will remain dedicated to operational excellence, and we will create more community connections including our Team Up For Kids initiatives to bring team sports into the lives of kids who need it most.

In 2014, we will invest in more advertising for a stronger media presence. We will continue to optimize our partnership with the NCAA and explore new co-branding opportunities. As we look forward to 2014 we plan on approximately 45 Company-owned restaurants opening, and we expect our franchisees in the United States to open around 40 locations. We are pleased with the prospects internationally for Buffalo Wild Wings, and we believe our franchisees will open at least 10 locations in Mexico, United Arab Emirates, Saudi Arabia and the Philippines next year. Buffalo Wild Wings is a growth Company, and we have begun implementing strategies to build an enduring, diversified portfolio of restaurant brands to sustain long-term growth. Our equity investment in PizzaRev is an example of how we are evaluating emerging brands to fuel our future growth. We expect to open two of our own PizzaRev locations in the Minneapolis Metro area in the first quarter 2014, and anticipate several more by year end.

With our planned unit growth, ongoing operational diligence, and our comments regarding minimal commodity pressure next year, we believe we can achieve 20% net earnings growth in 2014. This call marks our 40th earnings call since Buffalo Wild Wings went public in November 2003. While Mary and I were on the road show for the initial public offering in 2003, we shared our goal to be a national owner and franchisor of 1000 restaurants in the next 10 years. In the first quarter of 2014 we will achieve this exciting milestone. We are committed to opening 1,700 Buffalo Wild Wings locations in the United States and Canada, and believe that we will achieve this goal within the next 10 years. Our journey as a public company started with 220 locations and $365 million of system-wide sales. Today there are 955 Buffalo Wild Wings in the United States and Canada with system-wide sales approaching $3 billion.

All I can say is woo-hoo. As we near our 10-year anniversary as a public company, we want to pause for a few thank you's. First, thank you to our amazing guests. You are the essence of Buffalo Wild Wings. Thank you to our team members for your diligence every day in keeping Buffalo Wild Wings a vibrant Company. Thank you to our franchisees who have joined in our journey to become a national brand. Thank you to our vendor partners who have helped us achieve our growth. Thank you to our shareholders who have trusted us with their investments. And thank you to the many analysts who write coverage on B-Wild and always have one more question about the fascinating world of wings, beer and sports. To all, we couldn't have built the brand during the past 10 years and achieved the financial success without you. A very heartfelt thank you.

Let's now move to the question and answer session. Jim Schmidt, our Chief Operating Officer, will join Mary and me in responses. In order to get in as many people as possible, we ask that participants limit themselves to one question. We will end the call promptly at the top of the hour. Operator, if you will please open the call to questions.

QUESTIONS AND ANSWERS

Operator

Thank you, ma'am.

(Operator Instructions)

Jeff Farmer, Wells Fargo.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

As you guys push the guest experience counts in position into the balance of the company owned system by it looks like the end of 2014, how should we be thinking about the change in headcount and the potential impact on the labor line as a percentage of revenue as you get out into

2014? Do you expect to see a sizable impact on that line, some significant pressure, or will you be able to control that through, again, some headcount control?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I think we have a couple of different opportunities. From a headcount control, I assume you are meaning the home office or the home and field management. I think we will continue to invest in labor as we roll out the guest experience captain model in the remaining -- I suppose at the end of the store -- the remaining 50% of the stores we have. New restaurants openings -- or new restaurants will continue to open with it. I think we mentioned on the last call, we are working on the labor model, and we think we have got that pretty well executed. We will always look at ways to control labor certainly, and I think the new management structure gives us that opportunity to invest in the hourly labor we need while still providing relief on overall costs.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

A quick follow up on that -- would you expect to de-lever that line based on the rollout of that position to the balance of the Company-owned system in 2014?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We do believe for fourth quarter we are going to be up year-over-year about 30 to 40 basis points, the hourly labor piece being a little bit higher than that, and then some savings from the managers structure. Reducing it down to the 30, 40 basis points. We will continue to roll throughout 2014 with incremental locations on that model. We continue to refine it as we roll, and so we will hit a point sometime next year when labor -- we would hope would be neutral year-over-year.

Jeff Farmer - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you.

Operator

Brian Bittner, Oppenheimer.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Thank you and congratulations. On the cost margin, so we have the new menu and some of the things you've been doing on the distribution side I believe are done. So at 30%, how we should think about it going forward, or what is your cost margin now under a $1.60 wing price going forward?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Well, we hit -- I don't want to say exactly 30% in the third quarter. In July we thought we would be under 30%, but as we went through the third quarter, wings did trend up so that the average changed from a $1.64 back in July to being an average for the third quarter of $1.71. When we are looking at the fourth quarter, we shared that the wing market has dropped, and we were in about the $1.75 range for October and November, and then hopefully the wing market will continue weak, and we will have some pretty nice pricing coming into our restaurants in December. And our feeling right now is we would be hovering right around that 30% cost of sales mark.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Okay. And just a quick follow-up on the unit growth, you talked about getting the 1,700 over the next 10 years, so I guess about 70 a year. Will that be -- will we see kind of the 85 mark that you are going to do next year similar to that over the next couple of years and then you'll start dipping down as we get to the outer years and I guess growing with some new concepts more rapidly? Thinking about three or four years down the road, how do we think about the domestic growth of this concept over the next couple of years?

James Schmidt - *Buffalo Wild Wings Inc - COO*

I would anticipate that you will see next year's pace hold up for several years. Then, obviously, as you get out closer and you get closer to full penetration, I think the rate will slow somewhat in later years. We are always looking for ways to accelerate that growth, but at the same time maintain our discipline in site selection.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

You were talking about investments in emerging brands, and that is precisely why we have chosen this strategy and earlier probably than -- well not earlier -- but really by the time you ramp up. So our -- we would anticipate that should PizzaRev prove successful and/or we add other emerging brands to our portfolio, that will help continue to drive unit growth and thus revenue growth.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Is the strategy to see if PizzRev is successful and then use that as the next growth vehicle, or is there already plans to buy more concepts?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I think we have said in earlier conference calls that we would like to acquire several small emerging concepts. PizzaRev certainly has that ability to be the next growth vehicle. We will open two company restaurants here in Minneapolis, the first out of the LA market which should provide some confidence of its ability to move across the country, and they have other franchising in process. But we are also evaluating other concepts that we could add to the portfolio and test them out and really provide that growth momentum that we love.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Okay. Is there any target you can give us as to how you're thinking about PizzaRev as the potential size in the United States, or is it just way too early to even ask that question?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I think it's way too early to ask the question. I think that we are using a set of criteria, one that it has the ability to be a national concept and is franchisable. Read into that or calculate what you want, but obviously if it is successful I'd say it could provide that growth we want.

Brian Bittner - *Oppenheimer & Co. - Analyst*

Okay. Thank you.

Operator

John Glass, Morgan Stanley.

John Glass - *Morgan Stanley - Analyst*

Thanks. Could I just go back to the unit question? I think you said 45 companies in 2014 which is, I think, well below what you have done for the last three years. Could you just comment on that? Is that accurate, or are you just being conservative, or why would you see a step down in that rate of development from 2014 versus the prior three years?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Okay, so I will remind everybody what we think we are going to open up for 2013, 54 Company-owned restaurants, about 53 franchise restaurants and then two international franchise restaurants. And then we did share in the call for 2014, we think about 45 Company-owned, 40 franchise in the US and an additional 10 that would be international franchisees, and then Sally mentioned this too, at least two PizzaRev locations in the Minneapolis market.

John Glass - *Morgan Stanley - Analyst*

Why would that slow down then?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Oh, the question was why would that slow down. And --

John Glass - *Morgan Stanley - Analyst*

Yes, why are you opening fewer in 2014 than 2013?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Well, as you -- as the country becomes more and more built out, we could certainly open the same number in 2014 if we really didn't care what location it was. But we turned -- we want to make sure it has the same ability to be successful as our other restaurants, and so we anticipated kind of a reduced number, not necessarily each year, but next year obviously one and then probably at that same pace for a couple of years. But gradually as you have less and less potential locations, it just takes a little longer to find the right location.

John Glass - *Morgan Stanley - Analyst*

Just a follow-up to that, because I think this is a step -- in not only absolute but obviously percentage as well. Has this been an anticipated step down year for a long time and part of your longer-term planning, or has this been a more recent development were you decided good real estate is just not as available as it used to be, and you'd rather be more conservative?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

No, we talked about this on the last conference call. I think that -- obviously there are a couple of things. You want to be careful of that cannibalization, making sure again that you do get that right location. We really ramped up our unit growth when we were able to take advantage of some of the weaker real estate markets in 2009 and 2010. I think as has been discussed with other companies, certainly a slow down in development by developers makes finding that site the right one. And, of course, given the size we are, making sure it is the right site, whether it is for the franchisee or company stores is very important. But we have talked about this in the past.

John Glass - *Morgan Stanley - Analyst*

Okay. And then just if I could just lastly -- what is the traffic implied in the fourth quarter quarter-to-date comp, and what was it in the third quarter just to make sure I'm not getting any mix or other things in there?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Right. Traffic being something we sort of back into when we look at our menu price increase to get to that. Our menu price increase in the third quarter is 2.9%, and our menu increase remaining in the fourth quarter is 1.3%. And so then the delta for same-store sales is either check or traffic.

John Glass - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

Jeffrey Bernstein, Barclays.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Thank you. Just two follow-ups, first on the unit side of things. From a productivity standpoint it seems like the new units are doing fairly well in terms of AWS versus Com. I'm just wondering if you could talk about the new units versus the existing assuming more of the new units are more coastal and more bigger markets, can you talk maybe about the learning you are seeing from those kind of coastal or bigger markets, whether it be sales margins or returns versus what you were seeing more middle of America as we look out over the next few years, where presumably more of them will be coastal and bigger cities?

James Schmidt - *Buffalo Wild Wings Inc - COO*

Yes, most of our development in the last year or so, or the majority, has been along the coast. I think we see good strong volume along the coast. Flow-through can depend. You have some states that are a little more expensive than others to operate in, but I think we feel confident as we continue to build out along the coast that we will see good strong sales numbers out of those markets and areas.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Got you. Just from the flexible portion rollout, it seems like if went fairly well relative to expectation. I'm just wondering, were any common themes in terms of where the rollout did well versus maybe where there was more challenges, whether it be regional or some other theme between where it is working and where it has been a little bit tougher?

James Schmidt - *Buffalo Wild Wings Inc - COO*

Well, our teams -- I have to complement our teams. They both home office and field were incredible well prepared for this rollout. I don't think we have ever executed a rollout better than we did. Really, we haven't seen any issues with it except -- in any particular area at all. Overall it has been extremely well received. We have no evidence -- we have seen no evidence of any adverse impact either on same-store sales or our wings sales. We have captured the cost improvement we hoped to capture as a result of the rollout and guest loyalty and value perception across our system has held fairly steady. We had a few negative guest comments starting out. Those have dwindled, and we are barely receiving any. Overall, it was incredibly well executed and well received by our guests.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Got it. You mentioned the wing costs and how things maybe dipped a little bit more recently. I'm just wondering what your suppliers or others are telling you? Whether we should presume it's the normal seasonal ramp up in the coming months or whether there is some new impetus that might leave it at lower levels, or whether you expect to get back to $2. What are you hearing over the next six months or so?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

For the near term what we are hearing is that there is weakness in the wing market, so there is plenty of supply out there which is not typical for this time of year. So, how long we will see the lower prices and whether we will see any further dip is hard to say. But there isn't any immediate stimulus out there for wings either on corn prices or on reduction on supply that makes us think it will be a big bounce back up like it did last year.

Jeffrey Bernstein - *Barclays Capital - Analyst*

Great, thank you very much.

Operator

Jonathan Komp, Robert W Baird.

Jonathan Komp - *Robert W. Baird & Co. - Analyst*

I just want to ask first of all about the recent comp trends you have seen over the last three months or so. They obviously appear to be pretty encouraging especially in October, since you have the lower pricing contribution. I just want to ask if you have any thoughts or color on what maybe has driven the strength?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We could talk about the third quarter. We started out July at the 1.5% at company-owned restaurants, but we were missing one USC fight that we quantify as being abut 120 basis points. At that time as we went through the quarter obviously we had pretty strong same-store sales finishing the quarter at 4.8%. There are two things to call out on that. We did have an extra week of NFL in our third-quarter, and there was also the Mayweather fight, which we showed at most of our restaurants, and we did see some nice same-store sales trends come out of that. We are obviously pleased with where our sales are for first four weeks in October with Company stores at 5.3%.

Jonathan Komp - *Robert W. Baird & Co. - Analyst*

Okay. Great, thank you. Maybe a broader question on 2014. I know you provided the initial guidance for 20% earnings growth, which seems to be pretty close in line to what the typical guidance range might be. I just want to maybe walk through a few of the moving parts, and if you could give some more color that would be great. I know if you look at the wing market today, obviously it would suggest some potential tailwinds from lower wing costs are possible next year. On the flipside of that you might have some incremental labor investment, and also if you could also comment on any G&A investments. But when you look at all of that together and the potential level of pricing that you might take, do you think 20% earnings growth is realistic at this point? Do you think it is conservative with the wing tailwinds, or how are you thinking about growth for the year at this point?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We do think it is realistic for next year. I think that there are several factors you can look at, and obviously you can run the model in many different ways. But if we have modest same-store sales and wing prices don't go crazy, and we open the stores that we intend to open and we leverage G&A and operate our Company responsibly like we always do, we do think 20% is achievable for next year.

Jonathan Komp - *Robert W. Baird & Co. - Analyst*

Okay. Just one last follow-up to that, given where corn prices are today, if you were to see a wing tailwind, if you were to see meaningful lowered wing prices next year, do you have other sources of investments that you can make and maybe plow some of that back into investments in labor or some of the new concepts that you are looking at? How do you think about if you were to see some wing tailwinds next year?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

From the use of cash, we are always open for franchise acquisitions. We purchased three stores earlier this year. We have not -- we don't have any other deals in process right now, but we would be open to that obviously next year. Sally had mentioned the emerging brands, and we are looking for additional concepts we think could have great potential across the United States, so we would be open for those investments next year as well. From an operations standpoint, I think we have invested in labor in the recent quarters and will continue to rollout our guest experience business model. And that does have some incremental costs to it, but I think we are doing it responsibly. And I think we think, as we roll it out that these investments we are making will pay it back in stronger same-store sales.

Jonathan Komp - *Robert W. Baird & Co. - Analyst*

And maybe just one last one quickly, Sally, I want to follow up once more on the 1,700 unit target for the US and Canada. I just wanted to ask, I think when you unveiled that target last year at this time, you maybe said five to seven years was a possible time frame you might reach that target. And now this year you are saying it might take 10 years to reach that. Just to clarify is there anything that has changed in your thinking the pace and how quickly you get to that target, or maybe can you help reconcile that?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I don't know that it significantly changed. I think it is -- it takes a little bit longer to get a deal done all the way through from the minute you find the site to get them actually open. The permitting processes is taking significantly longer. We wanted to build in enough cushion so that it is an achievable goal. I think we have some opportunities and something that we will think about over the next few years on -- are there other markets where you could have a much smaller Buffalo Wild Wings. There is nothing in the works right now, but were always looking at is 1,700 realistic, or are there other markets we can add to? As we saw, as we look at real estate and we work on different sites and the whole process, it is taking longer. Development by developers, new shopping centers, et cetera, has not been robust.

Jonathan Komp - *Robert W. Baird & Co. - Analyst*

Makes sense, thank you.

Operator

Bryan Elliott with Raymond James.

Bryan Elliott - *Raymond James & Associates - Analyst*

I wanted to go back, Sally, I think I heard you say you are looking at developing a proprietary TV network, or that is in the process in your prepared remarks?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Sure, Bryan, I can give you a little color on that. I wouldn't call it a network. I would say it's proprietary within stores running specialized content, some things with different partners that we are partnering with, whether it be -- I can't really give any exam -- I've got some examples, but I'm not ready to share those, that what you can only see in Buffalo Wild Wings, almost like a closed-circuit. Things that we pull out from vendors or what was helping in our vendors.

James Schmidt - *Buffalo Wild Wings Inc - COO*

It would be some content that may be exclusive to us. We hope to have it in test, in pilot, in eight restaurants before year end. And then you'll see it on a limited basis next year as we continue to pilot it in about six different restaurants.

Bryan Elliott - *Raymond James & Associates - Analyst*

All right. Fair enough. And the table top tablets, how -- are they everywhere now, or is that part of the captain's roll out? Are they -- is that tied with that?

James Schmidt - *Buffalo Wild Wings Inc - COO*

Somewhat tied to it, but right now we have got them in about 45 locations. It is really being piloted mostly in Dallas and Philadelphia areas new restaurants that have recently opened. We plan to get into about 100 locations -- Company locations by year end, and then we will continue to roll with the company locations throughout 2014 and start to roll it to franchise -- the franchise system here at the end of the year. It is progressive functionality will be added to these tablets. As they went into the restaurants they started out with arcade, trivia and poker. We have just added some functionality that allows us to now push contents to the restaurants. We will be adding over the next two quarters additional functionality such as music service and then ultimately order and pay at the table. So we'll be rolling over the next year, and the functionality will be increasing at the same time.

Bryan Elliott - *Raymond James & Associates - Analyst*

Are they the size of an iPad are closer to an iPhone?

James Schmidt - *Buffalo Wild Wings Inc - COO*

About an iPad.

Bryan Elliott - *Raymond James & Associates - Analyst*

Thank you.

Operator

Alvin Concepcion, Citibank.

Alvin Concepcion - *Citigroup - Analyst*

Congratulations on the progress with the international stores. And, as the US becomes more built out, I'm wondering if you could provide thoughts on how large your potential is for international stores, and what are your thoughts about emerging markets such as China longer-term? Granted, now might not be the best time to move in with chicken there, but I just wanted to get your thoughts.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I can give you some general comments. We think that the international market is tremendous. We have done a lot of investigation of a variety of markets, net with a lot of people -- a lot of our vendors who are in country who have provided us with understanding of the country. I just returned from India where we met with potential franchisees and vendors. Obviously with 1 billion people, there are, again, the world is pretty large, and we think wings and sports certainly is welcome everywhere. It is really hard to say. You have to look at the distribution and the quality of the franchisees, all things that we'll vet through our process, but if the US can hold 1,700, and you'd have to factor in the development of countries. In Mexico we have agreements not even including Mexico City of over 30 units. It is hard to put a number on it, but we have some goals.

Alvin Concepcion - *Citigroup - Analyst*

Great. I just wanted to talk a little bit more about same-store sales. The growth has been pretty impressive in light of a negative casual dining environment. If you assume a flat environment for casual dining, what kind of same-store sales growth is realistic for you? I know you're -- sounds like you're modeling modest same-store sales growth in 2014, and I'm wondering what a good long-term growth rate is for you?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We always think we should be positive same-store sales and that we should beat our menu price increase that's in effect. If you assume that we have modest menu price increase like we have had through most of this year and the 1% to 2% we would think that in the future we should be able to drive same-store sales higher than that.

Alvin Concepcion - *Citigroup - Analyst*

Thank you very much.

Operator

Alex Slagle, Jefferies & Company.

Alex Slagle - *Jefferies & Company - Analyst*

I wanted to get your perspective on fourth-quarter same-store sales comparisons getting more difficult in November and December, and if there is anything we should think about in terms of back end loaded, media spend last year or any impact from the Christmas calendar shift?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

There is a little bit of a difference as you look at the calendar for fourth quarter versus last year. Last year Christmas was in the 14th week of the fourth quarter so it didn't go into the same-store sales calculation. This year Christmas will be in the 13th week so we will have one day that we are closed that we will be comping over. On the flip side is we do have a USC fight in that 13th week where last year it was in the 14th week. We do expect to have better sales on that day, and then it is a full week in typically the days after Christmas are pretty heavy shopping days and heavy eating out days. So a week as a whole excluding Christmas it is actually a pretty decent week for us. I think one reminder, too on fourth quarter last year when we had the higher same-store sales, we also had menu price increases of about 6% in fourth quarter last year versus 1.3% this year.

Alex Slagle - *Jefferies & Company - Analyst*

Thanks.

Operator

Jason West, Deutsche Bank.

Jason West - *Deutsche Bank - Analyst*

I just want to follow-up, I think, Mary, you said pricing you were thinking holding in the 1% to 2% range for next year. Is that sort of the best case you are looking at given the inflation outlook that you see?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We haven't made any decisions as it relates for sure what we would do next year on menu price increases. But I would say our thought process typically it is better today take a little menu price increase than to hold at with zero pricing and then have to take bigger increases later on. Again depending on what wings end up doing next year, we may have a different thought on that for 2014.

Jason West - *Deutsche Bank - Analyst*

Okay. With the lower unit openings on the company side, can you give us some color on where CapEx will be for next year? And then along those same lines, will you need to start stepping up some of the remodel CapEx as the system is getting a little older?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

From the new restaurant development standpoint, I would say a new restaurant averages around $2 million, $2.2 million to build it out, so that would be a good basis to use for the 45 company stores that we are building. And then from a remodel standpoint, we do have an ongoing remodel process or pace, and so we don't anticipate large increases in the number of remodels. This year I believe we are in about the 15 to 20 remodel range, and I would anticipate based on our having more locations we would be at most at 20 or 30 remodels next year.

Jason West - *Deutsche Bank - Analyst*

Okay. Got it. But you don't expect -- I know these things are going to show up in a lumpy manner but the growth on like PizzaRev I would assume is not going to be as significant as opening another 10 or store B Wild stores so cap next comes down a little bit?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Based on the new units, correct. We will have other investments as it relates to technology, and we can give a clearer picture of what we think our CapEx spend will be for 2014 when we have our February earnings call.

Jason West - *Deutsche Bank - Analyst*

Okay. Thank you.

Operator

Will Slabaugh, Stephens.

Will Slabaugh - *Stephens Inc. - Analyst*

I wanted to ask you about a cost of sales, really quickly. It sounds like the goals you talked about was to keep the line around that 30% mark, and as we get into next year, just assuming wings were to stay roughly where they are for Q3, and then considering the pricing discussion you had a minute ago around 1.3%, or potentially right around there, is that a good number to think about, that 30% number for next year?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

I would say typically we have a goal of being at 30% cost of sales or slightly under there. Will that work on a quarter-to-quarter basis in 2014 is unsure, but when you look at where we are today and when you have wings that are in the $1.70, $1.80 range, you can come pretty close to hitting 30% cost of sales.

Will Slabaugh - *Stephens Inc. - Analyst*

One quick follow-up on pre-opening if I could, as we think about the Company unit growth coming down just a little bit for next year, can you help us out with what that might look like on a line item basis as we go through next year?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We talked about our average pre-opening expenses for this year. In the third quarter, we ran about $268,000 and for the year we average about $304,000, but that had a fair amount of Canadian openings which run a little higher in it. If you took something in between there as the average and what we would spend on our stores that we're opening in 2014, it would be pretty close.

Will Slabaugh - *Stephens Inc. - Analyst*

Thank you.

Operator

(technical difficulty) with North Coast Research.

Unidentified Participant - - *Analyst*

Thank you, great job in the quarter.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Thank you.

Unidentified Participant - - *Analyst*

A quick question, it's obviously hard to find anything to complain about in your great results for the quarter, but just on the comments about how you were seeing some markets that are maybe a little more difficult to build new stores, is there anything on the West Coast, obviously one of your competitors has talked about a more intense environment in California -- that's a fairly new market. Any commentary on how that region is doing as compared to the rest of the country?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

We still have a lot of opportunity in California and continue to build out. Again that probably has a little longer permitting process than some areas of the country but a dense population. And I certainly think, as Jim mentioned earlier, our development on both coasts have helped push our average unit volume, and we would anticipate that would continue as we continue to grow that area.

Unidentified Participant - - *Analyst*

That's all I have. Thank you.

Operator

Chris O'Cull, KeyBank.

Chris O'Cull - *KeyBanc Capital Markets - Analyst*

Can you tell us how much do you expect to increase TV advertising next year, and how does that compare to the increase you had this year?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I don't know if I have the specifics about TV advertising only. Just a reminder that we contribute 3% to a national ad fund actually with a little bit more for COA. A portion of that does go to TV advertising. I think every year we will take a look at the mix between national TV, cable -- network cable and national radio and local radio and what you spend it digitally. I would be making a guess if I had anything to say about TV, but the % that we spend as a percent of revenue will remain about the same.

Chris O'Cull - *KeyBanc Capital Markets - Analyst*

The increase you were mentioning -- I thought you mentioned that you were going to be increasing advertising in 2014, that's not the contribution rate from the stores?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

It is not. It is just we have unit growth that allows us to have more dollars to spend on media.

Chris O'Cull - *KeyBanc Capital Markets - Analyst*

Okay. Did you mention, Mary, what the extra NFL week benefit was during the quarter, and will it have the opposite effect in the fourth?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

No, I did not mention it, but I am happy to. We think the NFL accounted for about 50 basis points to same-store sales in the third quarter. We have equal amounts of NFL weeks in the fourth quarter, because of the 14th week last year dropped off so we do have 13 weeks of NFL in both calculations for same store sales.

Chris O'Cull - *KeyBanc Capital Markets - Analyst*

Thanks.

Operator

Bob Derrington, Wunderlich Securities.

Bob Derrington - *Wunderlich Securities, Inc - Analyst*

Sally, when you think about international development, does it take a little bit of pressure, given that it seems to be building nicely, does it take domestic pressure off and trying to keep the pedal to the metal at opening new stores?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I don't know that it takes the pressure off, because we set the goal of 1,700 units. I think the reason that we expanded from 5 to 7 years up to 10 has really more to do with the domestic development. I think international adds an exciting component, and, as we think about the total number of units Buffalo Wild Wings could have internationally, it certainly takes some of the pressure off.

Bob Derrington - *Wunderlich Securities, Inc - Analyst*

Okay, thinking about the limited time offer which you began yesterday, the gourmet burgers, can you give us a little but of the thought around that strategy especially given that wing prices certainly seem to be favorable right now? What is your thought around the four gourmet burgers? Do you expect to get some check average lift, or what is your strategy there, if you could help us?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I think it's always important to offer new items to people that come into Buffalo Wild Wings. We have very frequent loyal guests, and we know that they are going to -- it almost doesn't matter what they order. They are probably going to get wings with it. I think it is our ability to highlight our sauces across multiple menu items, be it the salad which we have incorporated some of our sauces into the dressing chicken sandwiches. This is just one more vehicle to highlight our sauces and again showcase some really cravable flavors besides wings. Because we know they come for wings. Maybe they will track somebody else in that maybe didn't want wings or has had wings a couple of times that week, and now they want to come back for the burger.

Bob Derrington - *Wunderlich Securities, Inc - Analyst*

Lastly if you could, could you give us a little bit of color to the cadence of new unit development in this new year, company franchise, international?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

From a timing by quarter?

Bob Derrington - *Wunderlich Securities, Inc - Analyst*

Yes.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

We had a pretty nice first quarter for a company store development and on the rest of the quarter's, I think as you said the first quarter looks really good. Then second and third quarter tends to be light. It happens as part of the development cycle. Fourth quarter, try as we might and to even it out through the years it never quite works that way so it is usually first and fourth quarter, and I don't think 2014 will be any different.

Bob Derrington - *Wunderlich Securities, Inc - Analyst*

Got you. Thanks for your help. Appreciate it.

Operator

Greg McKinley, Dougherty and Company.

Greg McKinley - *Dougherty & Company - Analyst*

Could you go over real quickly the holiday gift card program this year maybe compare it to what you have done in the past? As I recall last year you may have had some significant distribution expansion. Maybe just recount for us how that sales performance occurred last year and your distribution plans this year.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

From a sales standpoint I don't think we released what our total gift card sales were last year. We have very much a similar plan this year in terms of distribution, a number of outlets. I believe last year was the first year we were in supermarkets. Having a second year, I think if they performed well in those locations, chances of getting higher slot or a more eye level slot is based upon individual stores. I think our performance last year which we felt was strong should help us on the visibility and the desire of different supermarkets, retailers, and pharmacies that carry Buffalo Wild Wings.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We do have some incremental placements within those existing units that we do expect to have year-over-year increases on our gift cards.

Greg McKinley - *Dougherty & Company - Analyst*

Thank you.

Operator

Mark Smith, Feltl and Company.

Mark Smith - *Feltl and Company - Analyst*

I just wanted to dig into your net earnings growth guidance for this year, 20%. Given which would've done the last three quarters, maybe a wing benefit and then you could tell me if hockey makes a big difference having it this year where you didn't last year? How conservative is that 20% guidance versus what you have been doing?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

I just wanted to clarify, because I was -- so you're looking at the 20% number on a 53 week basis for this year?

Mark Smith - *Feltl and Company - Analyst*

Yes.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Okay, yes, versus 2014, because we have two 20%s we're working with here. Obviously we think it is doable. We are at the end of October. We have strong same-store sales. We know we're going to be spending a little more in labor, but we see wing prices that look like they are being reasonable for the near-term, so we feel comfortable we can get that 20% for this year.

Mark Smith - *Feltl and Company - Analyst*

Does hockey give you much of a bump compared to last year?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

It is incremental in the markets that follow hockey. We have enjoyed additional nights of people watching hockey in the month of October.

Mark Smith - *Feltl and Company - Analyst*

Okay. Thank you.

Operator

Conrad Lyon, B Riley and Company.

Conrad Lyon - *B. Riley & Co. - Analyst*

A question on cogs in 2014. How much of it do you anticipate it being fixed, it sounds like at least 40%, and then can you ballpark that inflation with that will be fixed?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

As it relates to cogs, the sales -- so next year we think there will be minimal increases on boneless wings, and all of our breast meat products, that is all flat pricing year-over-year.

Mark Smith - *Feltl and Company - Analyst*

Right.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

We talked about expecting a little bit of beer price increases in the fourth quarter and how much of that we end up reflecting in additional menu price next year we haven't determined yet. Then you have the wing piece which is showing weakness now and hopefully will show weakness into next year. So we haven't given specifics on the rest of it but there aren't other commodity pressures we are seeing that would be pushing potatoes or burgers and some of our other stuff much higher than it is today.

Conrad Lyon - *B. Riley & Co. - Analyst*

Okay, but fixed components, the major ones will be your chicken breast and your alcohol?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Correct.

Conrad Lyon - *B. Riley & Co. - Analyst*

So it is safe to say 40% of your spend will be fixed?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Alcohol isn't fixed. Beer -- or cost of sales fort alcohol could go up.

Conrad Lyon - *B. Riley & Co. - Analyst*

Okay. So it's the beer contract. Got you.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

There is no beer contract.

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

Most beer or a lot of the big beer makers take their price increases in the fourth quarter.

Conrad Lyon - *B. Riley & Co. - Analyst*

Okay. Helpful. Let me switch over real quick and follow-up on the advertising. With the entry into international markets, how does your marketing plan factor into that? Do you anticipate being -- allowing yourself with some of the major networks over there? Is it going to be the same dynamic where the franchises contribute the same amount, or do you see some sort of ramp to get mind share over there?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Probably very similar to what we did in the United States. We really couldn't even advertise for many years of our existence. The international group will contribute to -- not our national ad fund, but they will contribute to a group so they can pool their dollars. They will probably start with very local spend, and TV where they can and radio where they can and then just community marketing. Eventually we would love to be able to as TV develops in some of the countries and areas as sports develop, how we have some local sports marketing which we do a significant amount of in the United States that will do the same thing. Internationally I think about Mexico and sponsoring some teams locally, and that's how they'll develop. And certainly social media is a new vehicle we didn't have 10 years ago before we were on TV. They are connected to their fun, so how do we reach them mobilely? That is something we are working on with them and agencies in that area.

Conrad Lyon - *B. Riley & Co. - Analyst*

Got you. Thank you very much.

Operator

The final question is with Nick Setyan with Wedbush Securities.

Nick Setyan - *Wedbush Securities - Analyst*

Congratulations on a great quarter. What was the wings as a percentage of cogs in the quarter?

Mary Twinem - *Buffalo Wild Wings Inc - CFO and EVP*

They were 23.7%.

Nick Setyan - *Wedbush Securities - Analyst*

Okay. And then, as we think about modeling PizzaRev unit growth here or I guess cont growth here or I guess contribution from PizzaRev starting next year, can you at least talk about the CapEx associated with PizzaRev or any other metrics that we should think about in terms of revenue contribution?

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

What we would anticipate for contribution margin is pretty minimal next year. If we open two in the first quarter and we open a couple more between now and the end of the year. I don't anticipate it adding much of anything. The buildout I believe is disclosed in their franchising disclosure documents and is somewhere in the $500,000 to $700,000 range depending upon the square footage. It is a pretty low-cost buildout and a pretty low risk from our standpoint in opening two to six next year.

Nick Setyan - *Wedbush Securities - Analyst*

Thanks very much.

Operator

There are no further questions at this time. I will turn the call back over to Management for closing remarks.

Sally Smith - *Buffalo Wild Wings Inc - President and CEO*

Okay, well, once again you all did not disappoint with many questions on our 40th conference call. We look forward to sharing our year-end results with you in February and where we will be providing some additional information about 2014. Thank you so much for taking the time to call.

Operator

Ladies and gentlemen, that does conclude the Buffalo Wild Wings third quarter 2013 conference call. Thank you for your participation. You may now disconnect.
