

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

May 2, 2023  
Date of Report (date of earliest event reported)

**First Watch Restaurant Group, Inc.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

001-40866  
(Commission File Number)

82-4271369  
(I.R.S. Employer Identification Number)

8725 Penderly Place, Suite 201,  
Bradenton, FL 34201  
(Address of principal executive offices and zip code)  
(941) 907-9800  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
Common stock, \$0.01 par value

Trading Symbol  
FWRG

Name of each exchange on which registered  
The Nasdaq Stock Market LLC  
(Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 - Results of Operations and Financial Condition.**

On May 2, 2023, First Watch Restaurant Group, Inc. (the "Company") issued a press release announcing its financial results for the first fiscal quarter ended March 26, 2023. A copy of the release is attached as Exhibit 99.1.

The information furnished pursuant to Item 2.02 and Exhibit 99.1 of this Current Report on Form 8-K shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in this Current Report shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Current Report, regardless of any general incorporation language in the filing.

**Item 7.01 Regulation FD Disclosure.**

The Company has also posted a supplemental information presentation to its website at [investors.firstwatch.com](https://investors.firstwatch.com), which is attached as Exhibit 99.2 and incorporated herein by reference.

The information furnished in this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in this Current Report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Current Report, regardless of any general incorporation language in the filing.

**Item 9.01 - Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release of First Watch Restaurant Group, Inc. dated May 3, 2023</a>
99.2	<a href="#">Supplemental Information Presentation for the first fiscal quarter ended March 26, 2023</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 2nd day of May, 2023.

**First Watch Restaurant Group, Inc.**  
(Registrant)

By: /s/ Mel Hope  
Name: Mel Hope  
Title: Chief Financial Officer and Treasurer



**First Watch Restaurant Group, Inc. Reports Strong Q1 2023 Financial Results**  
**Same-restaurant sales growth of 12.9% driven by same-restaurant traffic growth of 5.1%**  
**Income from operations margin of 7.4% and restaurant level operating profit margin of 21.2%**  
**Net income of \$9.4 million and Adjusted EBITDA of \$27.4 million**  
**10 system-wide restaurants opened across 7 states**  
**Raises 2023 Adjusted EBITDA guidance**

**BRADENTON, FL — May 2, 2023** — First Watch Restaurant Group, Inc. (NASDAQ: FWRG) (“First Watch” or the “Company”), the leading Daytime Dining concept serving breakfast, brunch and lunch, today reported financial results for the thirteen weeks ended March 26, 2023 (“Q1 2023”) and raises certain elements of its fiscal year 2023 guidance.

*“First Watch delivered yet another strong quarter. Most notably, we continued to differentiate ourselves by driving traffic share with disciplined operational execution as evidenced by our first quarter Restaurant-Level Operating Profit margin of 21.2% and Adjusted EBITDA of \$27.4 million,”* said Chris Tomasso, First Watch CEO and President. *“Despite an increasingly fragile consumer environment, our first quarter performance reaffirms my continued confidence in First Watch’s leadership position and our strong consumer value proposition.”*

**Highlights for Q1 2023 compared to Q1 2022\*:**

- Total revenues increased 22.1% to \$211.4 million in Q1 2023 from \$173.1 million in Q1 2022
- System-wide sales increased 23.6% to \$264.7 million in Q1 2023 from \$214.1 million in Q1 2022
- Same-restaurant sales growth of 12.9% (42.0% relative to the first quarter of 2019\*\*)
- Same-restaurant traffic growth of 5.1% (11.7% relative to the first quarter of 2019\*\*)
- Income from operations margin increased to 7.4% during Q1 2023 from 4.5% in Q1 2022
- Restaurant level operating profit margin\*\*\* increased to 21.2% in Q1 2023 from 19.6% in Q1 2022
- Net income increased to \$9.4 million, or \$0.15 per diluted share, in Q1 2023 from \$4.6 million, or \$0.08 per diluted share, in Q1 2022
- Adjusted EBITDA\*\*\* increased to \$27.4 million in Q1 2023 from \$19.4 million in Q1 2022
- Opened 10 system-wide restaurants in 7 states resulting in a total of 484 system-wide restaurants (370 company-owned and 114 franchise-owned) across 29 states

\* Thirteen weeks ended March 27, 2022 (“Q1 2022”)

\*\* Comparison to the thirteen weeks ended March 31, 2019 (“first quarter of 2019”) is presented for enhanced comparability due to the economic impact of COVID-19.

\*\*\* See “Non-GAAP Financial Measures” below

For additional financial information related to the thirteen weeks ended March 26, 2023, refer to the Company’s quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 2, 2023, which can be accessed at <https://investors.firstwatch.com> in the Financials & Filings section.

## Outlook Fiscal Year 2023

The Company raises certain of its guidance for the 53-week fiscal year ended December 31, 2023:

- Total revenue growth in the range of 16.0% to 20.0%<sup>(1)</sup>
- Adjusted EBITDA\* in the range of \$80.0 million to \$85.0 million<sup>(1)</sup>
- Updated blended tax rate in the range of 33.0% to 36.0%

The Company confirms certain of its previous guidance for the 53-week fiscal year ended December 31, 2023:

- Same-restaurant sales growth in the range of 6.0% to 8.0% with positive same-restaurant traffic growth
- Total of 45-51 new system-wide restaurants, net of 3 company-owned restaurant closures (38 to 42 new company-owned restaurants and 10 to 12 new franchise-owned restaurants)
- Capital expenditures in the range of \$100.0 million to \$110.0 million invested primarily in new restaurant projects and planned remodels<sup>(2)</sup>

*(1) Includes approximately 1.0% in total revenue growth and approximately \$1.0 million in Adjusted EBITDA associated with May 2023 franchise acquisition*

*(2) Does not include the capital outlays associated with the acquisition of franchise-owned restaurants*

*\* We have not reconciled guidance for Adjusted EBITDA to the corresponding GAAP financial measure because we do not provide guidance for the various reconciling items. We are unable to provide guidance for these reconciling items because we cannot determine their probable significance, as certain items are outside of our control and cannot be reasonably predicted due to the fact that these items could vary significantly from period to period. Accordingly, a reconciliation to the corresponding GAAP financial measure is not available without unreasonable effort.*

## Conference Call and Webcast

Chris Tomasso, Chief Executive Officer and President, and Mel Hope, Chief Financial Officer, will host a conference call and webcast to discuss these financial results for Q1 2023 on May 2, 2023 at 8:00 AM ET.

Interested parties may listen to the conference call via any one of three options:

- Dial 412-317-5208, which will be answered by an operator
- Pre-register by entering your information at this [Call me™ link](#) and entering the following Call me™ passcode to receive a direct call for instant access to the event: 6644352
- Join the webcast at <https://investors.firstwatch.com/news-and-events/events>

The webcast will be archived shortly after the call has concluded.

## Definitions

The following definitions apply to these terms as used in this release:

**System-wide restaurants:** the total number of restaurants, including all company-owned and franchise- owned restaurants.

**System-wide sales:** consists of restaurant sales from our company-owned restaurants and franchise-owned restaurants. We do not recognize the restaurant sales from our franchise-owned restaurants as revenue.

**Same-restaurant sales growth:** the percentage change in year-over-year restaurant sales (excluding gift card breakage) for the comparable restaurant base, which is defined as the number of company-owned First Watch branded restaurants open for 18 months or longer as of the beginning of the fiscal year ("Comparable Restaurant Base"). For the thirteen weeks ended March 26, 2023 and March 27, 2022, there were 328 restaurants and 305 restaurants, respectively, in our Comparable Restaurant Base.

**Same-restaurant traffic growth:** the percentage change in traffic counts as compared to the same period in the prior year using the Comparable Restaurant Base. For the thirteen weeks ended March 26, 2023 and March 27, 2022, there were 328 restaurants and 305 restaurants, respectively, in our Comparable Restaurant Base.

**Adjusted EBITDA:** a non-GAAP measure, is defined as net income (loss) before depreciation and amortization, interest expense, income taxes and items that the Company does not consider in the evaluation of its ongoing core operating performance.

**Adjusted EBITDA margin:** a non-GAAP measure, is defined as Adjusted EBITDA as a percentage of total revenues.

**Restaurant level operating profit:** a non-GAAP measure, is defined as restaurant sales, less restaurant operating expenses, which include food and beverage costs, labor and other related expenses, other restaurant operating expenses, pre-opening expenses and occupancy expenses. In addition, Restaurant level operating profit excludes corporate-level expenses and items that are not considered in the Company's evaluation of its ongoing core operating performance.

**Restaurant level operating profit margin:** a non-GAAP measure, is defined as Restaurant level operating profit as a percentage of restaurant sales.

## About First Watch

First Watch is an award-winning Daytime Dining concept serving made-to-order breakfast, brunch and lunch using fresh ingredients. A recipient of hundreds of local "Best Breakfast" and "Best Brunch" accolades, First Watch's chef-driven menu includes elevated executions of classic favorites along with First Watch specialties such as the protein-packed Quinoa Power Bowl®, Farm Stand Breakfast Tacos, Avocado Toast, Chickichanga, Morning Meditation (juiced in-house daily), Spiked Lavender Lemonade and its signature Million Dollar Bacon. In 2023, First Watch was named the top restaurant brand in Yelp's inaugural list of the 50 most loved brands in the U.S and recognized as a Customer Experience All-Star by Forbes. In 2022, First Watch was awarded a sought-after MenuMasters honor by Nation's Restaurant News for its seasonal Braised Short Rib Omelet, recognized with ADP's coveted Culture at Work Award and named a Most Loved Workplace® in Newsweek by the Best Practice Institute. In 2021, First Watch was recognized as FSR Magazine's Best Menu and as the fastest-growing full-service restaurant chain based on unit growth. There are more than 480 First Watch restaurants in 29 states, and the restaurant concept is majority owned by Advent International, one of the world's largest private-equity firms. For more information, visit [www.firstwatch.com](http://www.firstwatch.com).

## Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to any historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "potential," "project," "projection," "plan," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. You should evaluate all forward-looking statements made in this press release in the context of the risks and uncertainties disclosed herein, in our Annual Report on Form 10-K as of and for the year ended December 25, 2022, including under Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our other filings with the Securities and Exchange Commission (the "SEC"), accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the Investors Relations section of the Company's website at <https://investors.firstwatch.com/financial-information/sec-filings>. Important factors that could cause actual results to differ materially from those in the forward-looking statements include the following: uncertainty regarding ongoing hostility between Russia and Ukraine and the related impact on macroeconomic conditions, including inflation, as a result of such conflict or other related events; our vulnerability to changes in economic conditions and consumer preferences; our inability to successfully open new restaurants or establish new markets; our inability to effectively manage our growth; adverse effects of the COVID-19 pandemic or other infectious diseases; potential negative impacts on sales at our and our franchisees' restaurants as a result of our opening new restaurants; a decline in visitors to any of the retail centers, lifestyle centers, or entertainment centers where our restaurants are located; lower than expected same-restaurant sales growth; unsuccessful marketing programs and limited time new offerings; changes in the cost of food; unprofitability or closure of new restaurants or lower than previously experienced performance in existing restaurants; our inability to compete effectively for customers; unsuccessful financial performance of our franchisees; our limited control over our franchisees' operations; our inability to maintain good relationships with our franchisees; conflicts of interest with our franchisees; the geographic concentration of our system-wide restaurant base in the southeast portion of the United States; damage to our reputation and negative publicity; our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media; our limited number of suppliers and distributors for several of our frequently used ingredients and shortages or disruptions in the supply or delivery of such ingredients; information technology system failures or breaches of our network security; our failure to comply with federal and state laws and regulations relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection, advertising and consumer protection; our potential liability with our gift cards under the property laws of some states; our failure to enforce and maintain our trademarks and protect our other intellectual property; litigation with respect to intellectual property assets; our dependence on our executive officers and certain other key employees; our inability to identify, hire, train and retain qualified individuals for our workforce; our failure to obtain or to properly verify the employment eligibility of our employees; our failure to maintain our corporate culture as we grow; unionization activities among our employees; employment and labor law proceedings; labor shortages or increased labor costs or health care costs; risks associated with leasing property subject to long-term and non-cancelable leases; risks related to our sale of alcoholic beverages; costly and complex compliance with federal, state and local laws; changes in accounting principles applicable to us; our vulnerability to natural disasters, unusual weather conditions, pandemic outbreaks, political events, war and terrorism; our inability to secure additional capital to support business growth; our level of indebtedness; failure to comply with covenants under our credit facility; and the interests of our majority stockholder may differ from those of public stockholders.

The forward-looking statements included in this press release are made only as of the date hereof and are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years and the associated quarters, months and periods of those fiscal years.

**Investor Relations Contact**

Steve L. Marotta  
941-500-1918  
investors@firstwatch.com

**Media Relations Contact**

FirstWatch@icrinc.com

**Non-GAAP Financial Measures (Unaudited)**

To supplement the consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we use the following non-GAAP measures, which present operating results on an adjusted basis: (i) Adjusted EBITDA, (ii) Adjusted EBITDA margin, (iii) Restaurant level operating profit and (iv) Restaurant level operating profit margin. Our presentation of these non-GAAP measures includes isolating the effects of some items that are either nonrecurring in nature or vary from period to period without any correlation to our ongoing core operating performance. These supplemental measures of performance are not required by or presented in accordance with GAAP. Management believes these non-GAAP measures provide investors with additional visibility into our operations, facilitate analysis and comparisons of our ongoing business operations because they exclude items that may not be indicative of our ongoing operating performance, help to identify operational trends and allow for greater transparency with respect to key metrics used by management in our financial and operational decision making. Our non-GAAP measures may not be comparable to similarly titled measures used by other companies and have important limitations as analytical tools. These non-GAAP measures should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP as they may not provide a complete understanding of our performance. These non-GAAP measures should be reviewed in conjunction with our consolidated financial statements prepared in accordance with GAAP.

**Adjusted EBITDA and Adjusted EBITDA Margin**

Management uses Adjusted EBITDA and Adjusted EBITDA margin (i) as factors in evaluating management's performance when determining incentive compensation, (ii) to evaluate the Company's operating results and the effectiveness of our business strategies and (iii) internally as benchmarks to compare the Company's performance to that of its competitors.



The following tables reconcile Net income and Net income margin, the most directly comparable GAAP measures, to Adjusted EBITDA and Adjusted EBITDA margin for the periods indicated:

(in thousands)	THIRTEEN WEEKS ENDED			
	MARCH 26, 2023		MARCH 27, 2022	
Net income	\$	9,360	\$	4,640
Depreciation and amortization		9,117		8,223
Interest expense		1,907		1,006
Income taxes		4,558		2,277
EBITDA		24,942		16,146
Strategic costs (1)		305		450
Stock-based compensation (2)		1,497		2,294
Delaware Voluntary Disclosure Agreement Program (3)		367		—
Transaction expenses, net (4)		253		257
Insurance proceeds in connection with natural disasters, net (5)		(141)		—
Impairments and loss on disposal of assets (6)		134		79
Recruiting and relocation costs (7)		30		76
Severance costs (8)		26		62
Adjusted EBITDA	\$	27,413	\$	19,364
Total revenues	\$	211,406	\$	173,112
Net income margin		4.4 %		2.7 %
Adjusted EBITDA margin		13.0 %		11.2 %
Additional information				
Deferred rent expense (9)	\$	584	\$	580

(1) Represents costs related to process improvements and strategic initiatives. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

(2) Represents non-cash, stock-based compensation expense which is recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

(3) Represents professional service costs incurred in connection with the Delaware Voluntary Disclosure Agreement Program related to unclaimed or abandoned property. These costs are recorded in General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

(4) Represents costs incurred in connection with the acquisition of franchise-owned restaurants. In 2022, represents termination fee in connection with the closure of one company-owned restaurant.

(5) Represents insurance recoveries, net of costs incurred, in connection with Hurricane Ian, which were recorded in Other income, net on the Consolidated Statements of Operations and Comprehensive Income.

(6) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.

(7) Represents costs incurred for hiring qualified individuals. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

(8) Severance costs are recorded in General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

(9) Represents the non-cash portion of straight-line rent expense recorded within both Occupancy expenses and General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

## Restaurant level operating profit and Restaurant level operating profit margin

Restaurant level operating profit and Restaurant level operating profit margin are not indicative of our overall results, and because they exclude corporate-level expenses, do not accrue directly to the benefit of our stockholders. We will continue to incur such expenses in the future. Restaurant level operating profit and Restaurant level operating profit margin are important measures we use to evaluate the performance and profitability of each operating restaurant, individually and in the aggregate and to make decisions regarding future spending and other operational decisions. We believe that Restaurant level operating profit and Restaurant level operating profit margin provide useful information about our operating results, identify operational trends and allow for transparency with respect to key metrics used by us in our financial and operational decision-making.

The following tables reconcile Income from operations and Income from operations margin, the most directly comparable GAAP financial measures, to Restaurant level operating profit and Restaurant level operating profit margin for the periods indicated:

<i>(in thousands)</i>	THIRTEEN WEEKS ENDED	
	MARCH 26, 2023	MARCH 27, 2022
Income from operations	\$ 15,331	\$ 7,760
Less: Franchise revenues	(3,438)	(2,443)
Add:		
General and administrative expenses	22,705	19,563
Depreciation and amortization	9,117	8,223
Transaction expenses, net (1)	253	257
Impairments and loss on disposal of assets (2)	134	79
Restaurant level operating profit	44,102	33,439
Restaurant sales	207,968	170,669
Income from operations margin	7.4 %	4.5 %
Restaurant level operating profit margin	21.2 %	19.6 %
Additional information		
Deferred rent expense (3)	\$ 534	\$ 530

(1) Represents costs incurred in connection with the acquisition of franchise-owned restaurants. In 2022, represents a termination fee in connection with the closure of one company-owned restaurant.

(2) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.

(3) Represents the non-cash portion of straight-line rent expense recorded within Occupancy expenses on the Consolidated Statements of Operations and Comprehensive Income.

**FIRST WATCH RESTAURANT GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
*(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)*  
*(Unaudited)*

	THIRTEEN WEEKS ENDED	
	MARCH 26, 2023	MARCH 27, 2022
<b>Revenues:</b>		
Restaurant sales	\$ 207,968	\$ 170,669
Franchise revenues	3,438	2,443
Total revenues	211,406	173,112
<b>Operating costs and expenses:</b>		
Restaurant operating expenses (exclusive of depreciation and amortization shown below):		
Food and beverage costs	46,627	39,403
Labor and other related expenses	68,573	55,142
Other restaurant operating expenses	31,696	27,317
Occupancy expenses	15,934	14,383
Pre-opening expenses	1,036	985
General and administrative expenses	22,705	19,563
Depreciation and amortization	9,117	8,223
Impairments and loss on disposal of assets	134	79
Transaction expenses, net	253	257
Total operating costs and expenses	196,075	165,352
Income from operations	15,331	7,760
Interest expense	(1,907)	(1,006)
Other income, net	494	163
Income before income taxes	13,918	6,917
Income tax expense	(4,558)	(2,277)
<b>Net income and total comprehensive income</b>	<b>\$ 9,360</b>	<b>\$ 4,640</b>
Net income per common share - basic	\$ 0.16	\$ 0.08
Net income per common share - diluted	\$ 0.15	\$ 0.08
Weighted average number of common shares outstanding - basic	59,243,430	59,048,446
Weighted average number of common shares outstanding - diluted	60,597,729	59,983,150

**Same-Restaurant Sales Growth and Same-Restaurant Traffic Growth**

Thirteen Weeks Ended	Same-Restaurant Sales Growth	Same-Restaurant Traffic Growth	Comparable Restaurant Base
March 26, 2023	12.9 %	5.1 %	328
March 27, 2022	27.2 %	21.9 %	305
March 28, 2021	14.1 %	2.2 %	270

# Welcome to First Watch

Supplemental Information  
Q1 2023



May 2, 2023

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES



### Forward-Looking Statements

In addition to historical information, this presentation may contain a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, information concerning First Watch Restaurant Group, Inc.'s ("First Watch") possible or assumed future results of operations, new restaurant openings, business strategies, competitive position, industry environment, potential growth opportunities and the effects of regulation. These statements are based on First Watch's current expectations and beliefs, as well as a number of assumptions concerning future events. When used in this presentation, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "target," "may," "will," "should," "future," "propose," "preliminary," "outlook," "guidance," "on track" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. The forward-looking statements included in this presentation are made only as of the date of this presentation and are based on our current expectations and assumptions regarding our business, the economy and other future market conditions. Except as may be required by law, First Watch expressly disclaims any obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of the most recent earnings release reflected in this presentation or to reflect the occurrence of unanticipated events. Because forward-looking statements relate to the future by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include the following: uncertainty regarding ongoing hostility between Russia and Ukraine and the related impact on macroeconomic conditions, including inflation, as a result of such conflict or other related events; our vulnerability to changes in economic conditions and consumer preferences; our inability to successfully open new restaurants or establish new markets; our inability to effectively manage our growth; adverse effects of the COVID-19 pandemic or other infectious diseases; potential negative impacts on sales at our and our franchisees' restaurants as a result of our opening new restaurants; a decline in visitors to any of the retail centers, lifestyle centers, or entertainment centers where our restaurants are located; lower than expected same-restaurant sales growth; unsuccessful marketing programs and limited time new offerings; changes in the cost of food; unprofitability or closure of new restaurants or lower than previously experienced performance in existing restaurants; our inability to compete effectively for customers; unsuccessful financial performance of our franchisees; our limited control over our franchisees' operations; our inability to maintain good relationships with our franchisees; conflicts of interest with our franchisees; the geographic concentration of our system-wide restaurant base in the southeast portion of the United States; damage to our reputation and negative publicity; our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media; our limited number of suppliers and distributors for several of our frequently used ingredients; information technology system failures or breaches of our network security; our failure to comply with federal and state laws and regulations relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection, advertising and consumer protection; our potential liability with our gift cards under the property laws of some states; our failure to enforce and maintain our trademarks and protect our other intellectual property; litigation with respect to intellectual property assets; our dependence on our executive officers and certain other key employees; our inability to identify qualified individuals for our workforce; our failure to obtain or to properly verify the employment eligibility of our employees; our failure to maintain our corporate culture as we grow; unionization activities among our employees; employment and labor law proceedings; labor shortages or increased labor costs or health care costs; risks associated with leasing property subject to long-term and non-cancelable leases; risks related to our sale of alcoholic beverages; costly and complex compliance with federal, state and local laws; changes in accounting principles applicable to us; our vulnerability to natural disasters, unusual weather conditions, pandemic outbreaks, political events, war and terrorism; our inability to secure additional capital to support business growth; our level of indebtedness; failure to comply with covenants under our credit facility; and the interests of our majority stockholder may differ from those of public stockholders. For additional discussion of factors that could impact our operational and financial results, please refer to our filings with the Securities and Exchange Commission (the "SEC"), accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and the Investors Relations section of the Company's website at <https://investors.firstwatch.com/financial-information/sec-filings>. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual financial condition, results of operations, future performance and business may vary in material respects from the performance projected in these forward-looking statements.

### Non-GAAP Financial Measures (Unaudited)

To supplement the consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), we use certain non-GAAP financial measures, which present operating results on an adjusted basis. These supplemental measures of performance that are not required by or presented in accordance with GAAP include the following: (i) Adjusted EBITDA, (ii) Adjusted EBITDA margin, (iii) Restaurant level operating profit and (iv) Restaurant level operating profit margin (collectively, the "non-GAAP financial measures"). Our presentation of these non-GAAP financial measures includes isolating the effects of some items that are either nonrecurring in nature or vary from period to period without any correlation to our ongoing core operating performance. Management believes that the use of these non-GAAP financial measures provides additional transparency of our operations, facilitates analysis and comparisons of our ongoing business operations because they exclude items that may not be indicative of our ongoing operating performance, identifies operational trends and allows for greater transparency with respect to key metrics used by us in our financial and operational decision making. Our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies, have important limitations as analytical tools and may not provide a complete understanding of our performance. These non-GAAP financial measures should not be considered as an alternative or substitute to net income (loss), income (loss) from operations, or any other performance measures derived in accordance with GAAP, or as alternatives to cash flow from operating activities as a measure of our liquidity. These non-GAAP financial measures should be reviewed in conjunction with our consolidated financial statements prepared in accordance with GAAP.

# GOOD MORNING

## We are First Watch.

We're the leaders of the **Daytime Dining** category – a segment comprised of chef-driven concepts operating exclusively during daytime hours. That's right... Our performance and successes are achieved during *one* 7½-hour shift, from 7 a.m. to 2:30 p.m.

We serve **made-to-order** breakfast, brunch and lunch using fresh ingredients, and our culture is built around a simple, people-focused mission: "You First."

Our **elevated offering** capitalizes on three long-term consumer trends: the growing morning meal occasion, an increasing demand for fresh, healthy food and the heightened importance of on-demand dining.

We serve a **broad mix of customers** of diverse backgrounds, from millennials to baby boomers.

Since 1983, we have delivered sales and unit growth as a result of our broad brand appeal. At the end of the first quarter, we operated 484 system-wide restaurants in 29 states, and we believe we're just getting started.



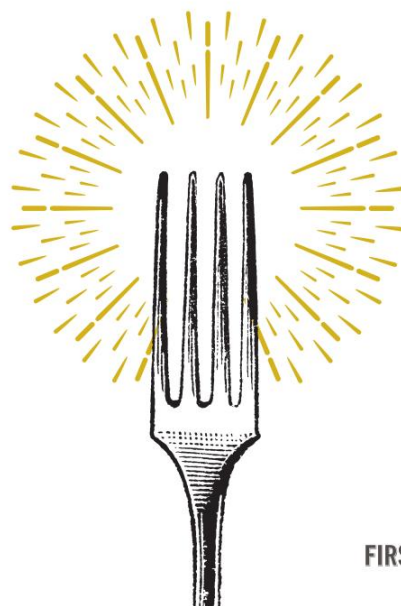
FIRST WATCH





# Q1 2023

Performance and Commentary



FIRST WATCH

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# A TASTE OF Q1

Jump Start Seasonal Menu | Jan. 2 – March 12



## TRIPLE BERRY AÇAÍ BOWL

Organic SAMBAZON® Açaí topped with fresh strawberries, blackberries, blueberries and our housemade granola with almonds. Served with our whole grain artisan toast topped with almond butter and Maldon sea salt.



## CALI-RIZO BREAKFAST TACOS

Chorizo-spiced cauliflower, scrambled cage-free eggs, Cheddar and Monterey Jack, and freshly seasoned potatoes on three wheat-corn tortillas. Topped with fresh avocado, lime crema, house-pickled red onions and cilantro. Served with seasoned black beans. (vegetarian)



## CHICKEN PESTO HASH

Two cage-free eggs basted in basil pesto, served over fresh, seasoned potatoes with grape tomatoes, sliced seasoned chicken breast and housemade pico de gallo. Topped with herbed Goat cheese and fresh herbs.



## TANGERINE DREAM

Tangerine, pineapple, organic ginger and cane sugar, topped with vanilla coconut milk.

FIRST WATCH

# A TASTE OF Q1 & Q2

Spring Seasonal Menu | March 20 – May 28



TACOS AL PASTOR HASH

Crispy pork al pastor, fresh pineapple and seasoned potatoes topped with two cage-free eggs cooked any style, fresh avocado, house-pickled red onions, Cotija cheese, cilantro and lime crema. Served with a side of warm tortillas.



CRAB & AVOCADO TOAST

Wild-caught lump crab and fresh smashed avocado on top of our whole grain artisan toast with house-pickled red onions, EVOO, fresh herbs and Maldon sea salt. Served with two basted cage-free eggs.



BANANAS FOSTER FRENCH TOAST

Thick-cut, custard-dipped challah bread griddled and topped with freshly sliced bananas, pecans and caramel sauce and lightly dusted with powdered cinnamon sugar.



TROPICAL SUNRISE

Mango, pineapple, strawberry and lime.



## Highlights for Q1 2023 compared to Q1 2022\*:

- Total revenues increased 22.1% to \$211.4 million in Q1 2023 from \$173.1 million in Q1 2022
- System-wide sales increased 23.6% to \$264.7 million in Q1 2023 from \$214.1 million in Q1 2022
- Same-restaurant sales growth of 12.9% (42.0% relative to the first quarter of 2019\*\*)
- Same-restaurant traffic growth of 5.1% (11.7% relative to the first quarter of 2019\*\*)
- Income from operations margin increased to 7.4% during Q1 2023 from 4.5% in Q1 2022
- Restaurant level operating profit margin\*\* increased to 21.2% in Q1 2023 from 19.6% in Q1 2022
- Net income increased to \$9.4 million, or \$0.15 per diluted share, in Q1 2023 from \$4.6 million, or \$0.08 per diluted share, in Q1 2022
- Adjusted EBITDA\*\* increased to \$27.4 million in Q1 2023 from \$19.4 million in Q1 2022
- Opened 10 system-wide restaurants in 7 states resulting in a total of 484 system-wide restaurants (370 company-owned and 114 franchise-owned) across 29 states

\*Thirteen weeks ended March 27, 2022

\*\* Comparison to the thirteen weeks ended March 31, 2019 ("first quarter of 2019") is presented for enhanced comparability due to the economic impact of COVID-19

\*\*\* See "Non-GAAP Financial Measures"



## Outlook for Fiscal Year 2023:

The Company raises certain of its fiscal year 2023 guidance:

- Total revenue growth in the range of 16.0% to 20.0%<sup>(1)</sup>
- Adjusted EBITDA\* in the range of \$80.0 million to \$85.0 million<sup>(1)</sup>
- Updated blended tax rate in the range of 33.0% to 36.0%

The Company confirms certain of its previous fiscal year 2023 guidance:

- Same-restaurant sales growth in the range of 6.0% to 8.0% with positive same-restaurant traffic growth
- Total of 45-51 new system-wide restaurants, net of 3 company-owned restaurant closures (38 to 42 new company-owned restaurants and 10 to 12 new franchise-owned restaurants)
- Capital expenditures in the range of \$100.0 million to \$110.0 million invested primarily in new restaurant projects and planned remodels<sup>(2)</sup>

<sup>(1)</sup> Includes approximately 1.0% in total revenue growth and approximately \$1.0 million in Adjusted EBITDA associated with May 2023 franchise acquisition

<sup>(2)</sup> Does not include the capital outlays associated with the acquisition of franchise-owned restaurants

## Long Term Outlook:

The Company reiterates its long-term annual financial targets as follows:

- Percentage unit growth in the low double digits
- Same-restaurant sales growth of ~3.5%
- Restaurant sales growth in the mid-teens
- Adjusted EBITDA percentage growth in the mid-teens

The Company also believes that the brand has the potential for more than 2,200 restaurants in the US.

\* We have not reconciled guidance for Adjusted EBITDA to the corresponding GAAP financial measure because we do not provide guidance for the various reconciling items. We are unable to provide guidance for these reconciling items because we cannot determine their probable significance, as certain items are outside of our control and cannot be reasonably predicted due to the fact that these items could vary significantly from period to period. Accordingly, reconciliations to the corresponding GAAP financial measure is not available without unreasonable effort.

# Consolidated Statements of Operations and Comprehensive Income (Loss)



The following table summarizes our results of operations and the percentages of items in our Consolidated Statements of Operations and Comprehensive Income (Loss) in relation to Total revenues or, where indicated, Restaurant sales for fiscal years 2020, 2021, 2022 and the fourth quarter of 2023 and 2022:

(in thousands)	THIRTEEN WEEKS ENDED				FISCAL YEAR					
	March 26, 2023		March 27, 2022		2022		2021		2020	
<b>Revenues</b>										
Restaurant sales	\$207,968	98.4%	\$170,669	98.6%	\$719,181	98.5%	\$592,343	98.5%	\$337,433	98.6%
Franchise revenues	3,438	1.6%	2,443	1.4%	10,981	1.5%	8,850	1.5%	4,955	1.4%
Total revenues	211,406	100.0%	173,112	100.0%	730,162	100.0%	601,193	100.0%	342,388	100.0%
<b>Operating costs and expenses</b>										
Restaurant operating expenses <sup>(1)</sup> (exclusive of depreciation and amortization shown below):										
Food and beverage costs	46,627	22.4%	39,403	23.1%	172,561	24.0%	134,201	22.7%	76,975	22.8%
Labor and other related expenses	68,573	33.0%	55,142	32.3%	238,257	33.1%	189,167	31.9%	120,380	35.7%
Other restaurant operating expenses	31,696	15.2%	27,317	16.0%	114,476	15.9%	94,847	16.0%	61,821	18.3%
Occupancy expenses	15,934	7.7%	14,383	8.4%	59,919	8.3%	55,433	9.4%	49,450	14.7%
Pre-opening expenses	1,036	0.5%	985	0.6%	5,414	0.8%	3,310	0.6%	3,880	1.1%
General and administrative expenses	22,705	10.7%	19,563	11.3%	84,959	11.6%	70,388	11.7%	46,322	13.5%
Depreciation and amortization	9,117	4.3%	8,223	4.8%	34,230	4.7%	32,379	5.4%	30,725	9.0%
Impairments and loss on disposal of assets	134	0.1%	79	0.0%	920	0.1%	381	0.1%	315	0.1%
Transaction expenses (income), net	253	0.1%	257	0.1%	2,513	0.3%	(1,156)	(0.2%)	(258)	(0.1%)
Total operating costs and expenses	196,075	92.7%	165,352	95.5%	713,249	97.7%	578,950	96.3%	389,610	113.8%
Income (Loss) from operations <sup>(1)</sup>	15,331	7.4%	7,760	4.5%	16,913	2.4%	22,243	3.8%	(47,222)	(13.8%)
Interest expense	(1,907)	(0.9%)	(1,006)	(0.6%)	(5,232)	(0.7%)	(20,099)	(3.3%)	(22,815)	(6.7%)
Other income (expense), net	494	0.2%	163	0.1%	910	0.1%	(1,774)	(0.3%)	483	0.1%
<b>Income (Loss) before income taxes</b>	13,918	6.6%	6,917	4.0%	12,591	1.7%	370	0.1%	(69,554)	(20.3%)
Income tax (expense) benefit	(4,558)	(2.2%)	(2,277)	(1.3%)	(5,684)	(0.8%)	(2,477)	(0.4%)	19,873	5.8%
<b>Net income (loss) and total comprehensive income (loss)</b>	\$ 9,360	4.4%	4,640	2.7%	\$6,907	0.90%	(\$2,107)	(0.4%)	(\$49,681)	(14.5%)

<sup>(1)</sup> Percentages are calculated as a percentage of restaurant sales.

# Selected Operating Data



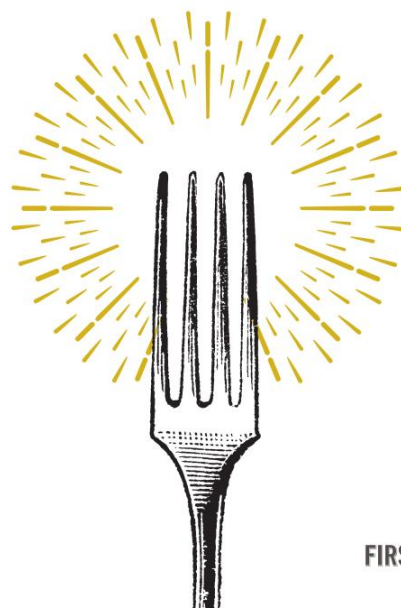
	THIRTEEN WEEKS ENDED		FISCAL YEAR		
	March 26, 2023	March 27, 2022	2022	2021	2020
System-wide sales (in thousands)	\$264,719	\$214,121	\$914,816	\$750,674	\$426,303
System-wide restaurants	484	441	474	435	409
Company-owned	370	346	366	341	321
Franchise-owned	114	95	108	94	88
Same-restaurant sales growth	12.9%	27.2%	14.5%	63.0%	(29.0%)
Same-restaurant traffic growth	5.2%	21.9%	7.7%	52.6%	(33.9%)
Average Unit Volume (in thousands) <sup>(1)</sup>	-	-	\$2,032	\$1,786	\$1,119
Income (Loss) from operations (in thousands)	\$15,331	\$7,760	\$16,913	\$22,243	(\$47,222)
Income (Loss) from operations margin	7.4%	4.5%	2.4%	3.8%	(14.0%)
Restaurant level operating profit (in thousands) <sup>(2)</sup>	\$44,102	\$33,439	\$128,936	\$115,404	\$28,236
Restaurant level operating profit margin <sup>(2)</sup>	21.2%	19.6%	17.9%	19.5%	8.4%
Net (loss) income (in thousands)	\$9,360	\$4,640	\$6,907	(\$2,107)	(\$49,681)
Net (loss) income margin	4.4%	2.7%	0.9%	(0.4%)	(14.5%)
Adjusted EBITDA (in thousands) <sup>(3)</sup>	\$27,413	\$19,364	\$69,278	\$66,301	(\$5,744)
Adjusted EBITDA margin <sup>(3)</sup>	13.0%	11.2%	9.5%	11.0%	(1.7%)

<sup>(1)</sup> Average unit volume presented on an annual basis only.

<sup>(2)</sup> Reconciliations from Income (Loss) from operations and Income (Loss) from operations margin, the most comparable GAAP measures to Restaurant level operating profit and Restaurant level operating profit margin, are set forth in the schedules within the "Non-GAAP Financial Measures" section.

<sup>(3)</sup> Reconciliations from Net Income (loss) and Net Income (loss) margin, the most comparable GAAP measures to Adjusted EBITDA and Adjusted EBITDA margin, are set forth in the schedules within the "Non-GAAP Financial Measures" section.

# APPENDIX



FIRST WATCH

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## ATTRACTIVE UNIT ECONOMICS SIZE THAT WORKS EVERYWHERE

Our flexible box size of ~3,000-6,600 square feet with an average net build-out cost of ~\$0.9M-\$1.4M allows us to fit in any real estate and we can succeed in many markets



2021 & 2022 NEW RESTAURANT OPENINGS (NROs)  
OUTPERFORMING SYSTEM-WIDE EXPECTATIONS



FIRST WATCH

(1) Representative of our target 3-year new units performance, which is comparable to the historical 3-year performance of our new restaurants. (2) Cash-on-Cash Return is defined as Restaurant Level Operating Profit (excluding gift card breakage and deferred rent expense (income)) in the third year of operations (months 25-36 of operations) for company-owned restaurants divided by their cash build-out expenses, net of landlord incentives. (3) Represents fiscal 2022 annualized average sales of all company-owned restaurants opened through the respective cohort year. (4) Represents fiscal 2022 annualized average sales of all company-owned restaurants opened through fiscal 2019.



# HISTORICAL DATA



## Same-Restaurant Sales & Traffic Growth

	2023			2022			2021				
	Q1	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Same-Restaurant Sales Growth	12.9%	27.2%	13.4%	12.0%	7.7%	14.5%	14.1%	403.5%	46.2%	36.7%	63.0%
Same-Restaurant Traffic Growth	5.2%	21.9%	8.1%	3.7%	(0.6%)	7.7%	2.2%	360.9%	40.1%	31.9%	52.6%
Comparable Restaurant Base	328	305	304	303	301	301	270	270	270	269	269

## Pre-opening Expenses\*\*

	2023			2022			2021				
	Q1	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Other restaurant operating expenses	\$ 654	\$ 648	\$ 563	\$ 813	\$ 1,301	\$ 3,325	\$ 724	\$ 649	\$ 280	\$ 402	\$ 2,055
Occupancy expenses	382	337	531	677	544	\$ 2,089	440	250	230	335	1,255
<b>Total Pre-opening expenses</b>	<b>\$ 1,036</b>	<b>\$ 985</b>	<b>\$ 1,094</b>	<b>\$ 1,490</b>	<b>\$ 1,845</b>	<b>\$ 5,414</b>	<b>\$ 1,164</b>	<b>\$ 899</b>	<b>\$ 510</b>	<b>\$ 737</b>	<b>\$ 3,310</b>

\*\* Pre-opening expenses are presented in one line item on the Consolidated Statements of Operations and Comprehensive Income (Loss).

# NON-GAAP FINANCIAL MEASURES



## Adjusted EBITDA and Adjusted EBITDA margin

Management uses Adjusted EBITDA and Adjusted EBITDA margin (i) as factors in evaluating management's performance when determining incentive compensation, (ii) to evaluate the Company's operating results and the effectiveness of our business strategies, (iii) internally as benchmarks to compare the Company's performance to that of its competitors and (iv) to provide investors with additional transparency of the Company's operations. The use of Adjusted EBITDA and Adjusted EBITDA margin as performance measures permit a comparative assessment of the Company's operating performance relative to the Company's performance based on the Company's GAAP results, while isolating the effects of some items that are either nonrecurring in nature or vary from period to period without any correlation to the Company's ongoing core operating performance.

The following tables reconcile Net income (loss) and Net income (loss) margin, the most directly comparable GAAP measures, to Adjusted EBITDA and Adjusted EBITDA margin, respectively, for the periods indicated.

(in thousands)	THIRTEEN WEEKS ENDED		FISCAL YEAR		
	March 26, 2023	March 27, 2022	2022	2021	2020
Net income (loss)	\$9,360	\$4,640	\$6,907	(\$2,107)	(\$49,681)
Depreciation and amortization	9,117	8,223	34,230	32,379	30,725
Interest expense	1,907	1,006	5,232	20,099	22,815
Income taxes	4,558	2,277	5,684	2,477	(19,873)
EBITDA	24,942	16,146	52,053	52,848	(16,014)
Strategic transition costs <sup>(1)</sup>	305	450	2,318	2,402	4,247
Stock-based compensation <sup>(2)</sup>	1,497	2,294	10,374	8,596	750
Delaware Voluntary Disclosure Agreement Program <sup>(3)</sup>	367	-	149	-	-
Transaction expenses (income), net <sup>(4)</sup>	253	257	2,513	(1,156)	(258)
Costs in connection with natural disasters, net of insurance recoveries <sup>(5)</sup>	(141)	-	115	-	-
Impairments and loss on disposal of assets <sup>(6)</sup>	134	79	920	381	315
Recruiting and relocation costs <sup>(7)</sup>	30	76	681	351	228
Severance costs <sup>(8)</sup>	26	62	155	265	239
Loss on extinguishment of debt	-	-	-	2,403	-
COVID-19 - related charges <sup>(9)</sup>	-	-	-	211	4,749
Adjusted EBITDA	\$27,413	\$19,364	\$69,278	\$66,301	(\$5,744)
Total revenues	\$211,406	\$173,112	\$730,162	\$601,193	\$342,388
Net loss (income) margin	4.4%	2.7%	0.9%	(0.4)%	(14.5)%
Adjusted EBITDA Margin	13.0%	11.2%	9.5%	11.0%	(1.7)%
<b>Additional information</b>					
Deferred rent expense (income) <sup>(10)</sup>	\$584	\$580	\$2,418	(\$2,011)	\$10,087

(1) Represents costs related to the assessment and redesign of our systems and processes. In 2021, the costs also include information technology support and external professional service costs incurred in connection with IPO-readiness efforts.

(2) Represents non-cash, stock-based compensation expense.

(3) Represents (i) revaluations of contingent consideration payable to previous stockholders for tax savings generated through the use of federal and state loss carryforwards and general business credits that had been accumulated from operations prior to August 2017, (ii) gains or losses associated with lease or contract terminations, (iii) costs incurred in connection with the acquisition of franchise-owned restaurants, (iv) costs related to restaurant closures and (v) costs related to secondary offerings of the Company's common stock.

(4) Represents costs related to the disposal of assets due to retirements, replacements, restaurant closures or natural disasters. There were no impairments recognized during the periods presented.

(5) Represents costs incurred for hiring qualified individuals as we assessed the redesign of our systems and processes.

(6) Represents professional service costs incurred in connection with the Delaware Voluntary Disclosure Agreement Program related to unclaimed or abandoned property.

(7) Represents costs incurred, net of insurance recoveries, in connection with Hurricane Ian. The costs include inventory obsolescence and spoilage, compensation for employees and support for hurricane relief.

(8) Represents costs incurred in connection with the economic impact of the COVID-19 pandemic.

(9) Represents the non-cash portion of straight-line rent expense recorded within both Occupancy expenses and General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

# NON-GAAP FINANCIAL MEASURES



## Restaurant level operating profit and Restaurant level operating profit margin

Restaurant level operating profit and Restaurant level operating profit margin are not indicative of our overall results, and because they exclude corporate-level expenses, do not accrue directly to the benefit of our stockholders. We will continue to incur such expenses in the future. Restaurant level operating profit and Restaurant level operating profit margin are important measures we use to evaluate the performance and profitability of each operating restaurant, individually and in the aggregate and to make decisions regarding future spending and other operational decisions. We believe that Restaurant level operating profit and Restaurant level operating profit margin provide useful information about our operating results, identify operational trends and allow for transparency with respect to key metrics used by us in our financial and operational decision-making.

The following tables reconcile Income (Loss) from operations and Income (Loss) from operations margin, the most directly comparable GAAP financial measures, to Restaurant level operating profit and Restaurant level operating profit margin, respectively, for the periods indicated.

(in thousands)	THIRTEEN WEEKS ENDED		FISCAL YEAR		
	March 26, 2023	March 27, 2022	2022	2021	2020
Income (Loss) from operations	\$15,331	\$7,760	\$16,913	\$22,243	(\$47,222)
Less: Franchise revenues	(3,438)	(2,443)	(10,981)	(8,850)	(4,955)
Add:					
General and administrative expenses	22,705	19,563	84,959	70,388	46,322
Depreciation and amortization	9,117	8,223	34,230	32,379	30,725
Transaction expenses (income), net <sup>(1)</sup>	253	257	2,513	(1,156)	(258)
Impairments and loss on disposal of assets <sup>(2)</sup>	134	79	920	381	315
Costs in connection with natural disasters <sup>(3)</sup>	-	-	382	-	-
COVID-19 related charges <sup>(4)</sup>	-	-	-	19	3,309
Restaurant level operating profit	\$44,102	\$33,439	\$128,936	\$115,404	\$28,236
Restaurant sales	\$207,968	\$170,669	\$719,181	\$592,343	\$337,433
Income (Loss) from operations margin	7.4%	4.5%	2.4%	3.8%	(14.0%)
Restaurant level operating profit margin	21.2%	19.6%	17.9%	19.5%	8.4%
Additional information					
Deferred rent expense (income) <sup>(5)</sup>	\$534	\$530	\$2,219	(\$2,075)	\$10,029

(1) Represents (i) revaluations of contingent consideration payable to previous stockholders for tax savings generated through the use of federal and state loss carryforwards and general business credits that had been accumulated from operations prior to August 2017, (ii) gains or losses associated with lease or contract terminations, (iii) costs incurred in connection with the acquisition of franchise-owned restaurants, (iv) costs related to restaurant closures and natural disasters. There were no impairments recognized during the periods presented.  
 (2) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures and natural disasters. There were no impairments recognized during the periods presented.  
 (3) Represents costs incurred in connection with Hurricane Ian.  
 (4) Represents costs incurred in connection with the economic impact of the COVID-19 pandemic.  
 (5) Represents the non-cash portion of straight-line rent expense recorded within Occupancy expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

# DEFINITIONS



The following definitions apply to these terms as used in this presentation:

**Adjusted EBITDA:** a non-GAAP financial measure, is defined as net income (loss) before depreciation and amortization, interest expense, income taxes and items that the Company does not consider in the evaluation of its ongoing core operating performance.

**Adjusted EBITDA margin:** a non-GAAP financial measure, is defined as Adjusted EBITDA as a percentage of total revenues.

**Average Unit Volume:** the total restaurant sales (excluding gift card breakage) recognized in the comparable restaurant base, which is defined as the number of company-owned First Watch branded restaurants open for 18 months or longer as of the beginning of the fiscal year ("Comparable Restaurant Base"), divided by the number of restaurants in the Comparable Restaurant Base during the period. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

**Restaurant level operating profit:** a non-GAAP financial measure, is defined as restaurant sales, less restaurant operating expenses, which include food and beverage costs, labor and other related expenses, other restaurant operating expenses, pre-opening expenses and occupancy expenses. Restaurant level operating profit excludes corporate-level expenses and items that are not considered in the Company's evaluation of its ongoing core operating performance.

**Restaurant level operating profit margin:** a non-GAAP financial measure, is defined as Restaurant level operating profit as a percentage of restaurant sales.

**Same-restaurant sales growth:** the percentage change in year-over-year restaurant sales (excluding gift card breakage) for the Comparable Restaurant Base.

**Same-restaurant traffic growth:** the percentage change in traffic counts as compared to the same period in the prior year using the Comparable Restaurant Base.

**System-wide restaurants:** the total number of restaurants, including all company-owned and franchise-owned restaurants.

**System-wide sales:** consists of restaurant sales from our company-owned restaurants and franchise-owned restaurants. We do not recognize the restaurant sales from our franchise-owned restaurants as revenue.

For more information,  
visit [investors.firstwatch.com](https://investors.firstwatch.com) or  
email [investors@firstwatch.com](mailto:investors@firstwatch.com)



