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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 28, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to _____

Commission file number 001-40866

FIRST WATCH

First Watch Restaurant Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**82-4271369**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8725 Pendery Place, Suite 201, Bradenton, FL 34201
(Address of Principal Executive Offices) (Zip Code)

(941) 907-9800
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**FWRG**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 61,712,435 shares of common stock as of July 31, 2026.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") 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 can be identified by 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. Examples of forward-looking statements include, but are not limited to, statements we make regarding the outlook for our future business and financial performance and statements discussing our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business, such as those contained in Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. 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:

- *our vulnerability to changes in consumer preferences and economic conditions such as inflation and recession;*
- *our inability to successfully open new restaurants or establish new markets;*
- *our inability to effectively manage our growth;*
- *potential negative impacts on sales at our and our franchisees' restaurants as a result of our opening new restaurants in existing markets;*
- *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;*
- *our vulnerability to food safety and food-borne illness concerns;*
- *unsuccessful financial performance of our franchisees;*
- *our limited control over our franchisees' operations;*
- *our inability to maintain good relationships with our franchisees and 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 and artificial intelligence;*
- *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, including trade and tax policies;*
- *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*
- *uncertainty regarding the Russia and Ukraine war, war and unrest in the Middle East and the related impact on macroeconomic conditions, including inflation, as a result of such conflicts or other related events.*

See Part I. Item 1A. "Risk Factors" in our Annual Report on Form 10-K as of and for the year ended December 28, 2025 ("2025 Form 10-K") and Part II. Item 1A. "Risk Factors" in this Form 10-Q for a further description of these and other factors. For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this Form 10-Q and in our other filings with the Securities and Exchange Commission (the "SEC"). Any forward-looking statement made by us in this Form 10-Q speaks only as of the date hereof and is expressly qualified in its entirety by these cautionary statements. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Part I - Financial Information

Item 1. Financial Statements (Unaudited)

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(Unaudited)

	JUNE 28, 2026	DECEMBER 28, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 20,485	$ 21,246
Accounts receivable	6,813	6,859
Inventory	7,801	7,174
Prepaid expenses	10,547	7,945
Deposits and other current assets	1,883	5,856
Total current assets	47,529	49,080
Goodwill	420,208	420,208
Intangible assets, net	170,768	174,908
Operating lease right-of-use assets	660,068	614,548
Property, fixtures and equipment, net of accumulated depreciation of $320,862 and $285,706, respectively	515,418	478,451
Other long-term assets	6,848	4,834
Total assets	$ 1,820,839	$ 1,742,029
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 10,277	$ 8,701
Accrued liabilities	46,508	38,496
Accrued compensation	22,261	24,281
Deferred revenues	4,384	6,778
Current portion of operating lease liabilities	79,266	75,034
Current portion of long-term debt	14,843	13,309
Interest rate swap liabilities, current	348	900
Total current liabilities	177,887	167,499
Operating lease liabilities	701,656	651,254
Long-term debt, net	277,690	269,071
Deferred income taxes	21,256	21,972
Derivative liabilities	59	557
Other long-term liabilities	8,122	5,397
Total liabilities	1,186,670	1,115,750
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock; $0.01 par value; 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 61,712,435 and 61,131,978 shares issued and outstanding at June 28, 2026 and December 28, 2025, respectively	617	611
Additional paid-in capital	668,593	661,153
Accumulated deficit	(34,736)	(34,390)
Accumulated other comprehensive loss	(305)	(1,095)
Total equity	634,169	626,279
Total liabilities and equity	$ 1,820,839	$ 1,742,029

The accompanying notes are an integral part of these consolidated financial statements.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Revenues				
Restaurant sales	$ 351,481	$ 304,983	$ 679,629	$ 584,574
Franchise revenues	3,191	2,904	6,002	5,553
Total revenues	354,672	307,887	685,631	590,127
Operating costs and expenses				
Restaurant operating expenses (exclusive of depreciation and amortization shown below):				
Food and beverage costs	82,593	71,978	156,903	138,625
Labor and other related expenses	115,723	101,310	226,332	198,064
Other restaurant operating expenses	55,557	46,603	107,461	90,862
Occupancy expenses	28,345	24,809	55,755	47,958
Pre-opening expenses	3,315	3,507	6,372	6,167
General and administrative expenses	38,727	33,185	78,672	63,404
Depreciation and amortization	21,839	18,136	43,235	34,693
Impairments and loss on disposal of assets	114	127	267	136
Transaction and restructuring expenses, net	332	919	1,508	1,792
Total operating costs and expenses	346,545	300,574	676,505	581,701
Income from operations	8,127	7,313	9,126	8,426
Interest expense	(4,892)	(4,003)	(9,670)	(7,337)
Other income, net	133	266	478	950
Income (loss) before income taxes	3,368	3,576	(66)	2,039
Income tax expense	(1,029)	(1,470)	(280)	(762)
Net income (loss)	$ 2,339	$ 2,106	$ (346)	$ 1,277
Net income (loss)	$ 2,339	$ 2,106	$ (346)	$ 1,277
Other comprehensive income (loss):				
Unrealized gain (loss) on derivatives	314	(125)	1,050	(1,008)
Income tax related to other comprehensive income (loss)	(78)	31	(260)	251
Comprehensive income	$ 2,575	$ 2,012	$ 444	$ 520
Net income (loss) per common share - basic	$ 0.04	$ 0.03	$ (0.01)	$ 0.02
Net income (loss) per common share - diluted	$ 0.04	$ 0.03	$ (0.01)	$ 0.02
Weighted average number of common shares outstanding - basic	61,669,719	61,005,648	61,456,606	60,886,525
Weighted average number of common shares outstanding - diluted	62,296,801	62,579,658	61,456,606	62,732,072

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount				
Balance at December 29, 2024	60,700,090	$ 607	$ 649,045	$ (53,822)	$ (441)	$ 595,389
Net loss	—	—	—	(829)	—	(829)
Stock-based compensation	—	—	2,259	—	—	2,259
Common stock issued under stock-based compensation plans, net	274,453	3	130	—	—	133
Other comprehensive loss, net of tax	—	—	—	—	(663)	(663)
Balance at March 30, 2025	60,974,543	$ 610	$ 651,434	$ (54,651)	$ (1,104)	$ 596,289
Net income	—	—	—	2,106	—	2,106
Stock-based compensation	—	—	2,842	—	—	2,842
Common stock issued under stock-based compensation plans, net	49,428	—	170	—	—	170
Other comprehensive loss, net of tax	—	—	—	—	(94)	(94)
Balance at June 29, 2025	61,023,971	$ 610	$ 654,446	$ (52,545)	$ (1,198)	$ 601,313

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount				
Balance at December 28, 2025	61,131,978	$ 611	$ 661,153	$ (34,390)	$ (1,095)	$ 626,279
Net loss	—	—	—	(2,685)	—	(2,685)
Stock-based compensation	—	—	3,420	—	—	3,420
Common stock issued under stock-based compensation plans, net	493,177	5	84	—	—	89
Other comprehensive income, net of tax	—	—	—	—	554	554
Balance at March 29, 2026	61,625,155	$ 616	$ 664,657	$ (37,075)	$ (541)	$ 627,657
Net income	—	—	—	2,339	—	2,339
Stock-based compensation	—	—	3,771	—	—	3,771
Common stock issued under stock-based compensation plans, net	87,280	1	165	—	—	166
Other comprehensive income, net of tax	—	—	—	—	236	236
Balance at June 28, 2026	61,712,435	$ 617	$ 668,593	$ (34,736)	$ (305)	$ 634,169

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(Unaudited)

	TWENTY-SIX WEEKS ENDED	
	JUNE 28, 2026	JUNE 29, 2025
Cash flows from operating activities		
Net (loss) income	$ (346)	$ 1,277
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	43,235	34,693
Stock-based compensation, net of amounts capitalized	7,049	5,049
Non-cash operating lease costs	18,242	15,779
Deferred income taxes	(976)	(466)
Amortization of debt discount and deferred issuance costs	341	322
Impairments and loss on disposal of assets	267	136
Changes in assets and liabilities, net of effects of business combinations:		
Accounts receivable	46	1,751
Inventory	(627)	(465)
Prepaid expenses	(2,602)	(1,319)
Deposits and other assets, current and long-term	1,696	(1,177)
Accounts payable	1,576	545
Accrued liabilities and other long-term liabilities	7,511	8,818
Accrued compensation and deferred payroll taxes	(2,020)	(1,412)
Deferred revenues, current and long-term	(2,368)	(2,659)
Operating lease liabilities	(9,128)	(1,302)
Net cash provided by operating activities	61,896	59,570
Cash flows from investing activities		
Capital expenditures	(69,849)	(77,636)
Acquisitions, net of cash acquired	(171)	(54,833)
Purchase of intangible assets	(486)	(380)
Net cash used in investing activities	(70,506)	(132,849)
Cash flows from financing activities		
Proceeds from borrowings on revolving credit facility	386,000	127,000
Repayments of borrowings on revolving credit facility	(372,000)	(91,500)
Proceeds from issuance of long-term debt	—	27,500
Repayments of long-term debt, including finance lease liabilities	(6,406)	(4,159)
Proceeds from exercise of stock options, net of employee taxes paid	255	303
Net cash provided by financing activities	7,849	59,144
Net decrease in cash and cash equivalents	(761)	(14,135)
Cash and cash equivalents		
Beginning of period	21,246	33,312
End of period	$ 20,485	$ 19,177

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - *continued*
(IN THOUSANDS)
(Unaudited)

	TWENTY-SIX WEEKS ENDED	
	JUNE 28, 2026	JUNE 29, 2025
Supplemental cash flow information		
Cash paid for interest, net of amounts capitalized	$ 9,235	$ 2,792
Cash paid for income taxes, net of refunds	$ 1,590	$ 1,015
Supplemental disclosures of non-cash investing and financing activities		
Leased assets obtained in exchange for new operating lease liabilities (1)	$ 60,981	$ 83,433
Leased assets obtained in exchange for new finance lease liabilities	$ 2,544	$ 4,246
Remeasurements and terminations of operating lease assets and lease liabilities	$ 2,781	$ 3,540
Remeasurements and terminations of finance lease assets and lease liabilities	$ (63)	$ (407)
Increase (decrease) in liabilities from acquisition of property, fixtures and equipment	$ 3,371	$ (581)

(1) Leased assets and liabilities obtained during the twenty-six weeks ended June 29, 2025 include $23.6 million from business acquisitions.

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business and Organization

First Watch Restaurant Group, Inc. (collectively with its wholly-owned subsidiaries, "the Company" or "Management") is a Delaware holding company. The Company operates and franchises restaurants in 33 states operating under the "First Watch" trade name, which are focused on made-to-order breakfast, brunch and lunch. The Company does not operate outside of the United States and all of its assets are located in the United States. As of June 28, 2026, the Company operated 586 company-owned restaurants and had 79 franchise-owned restaurants.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company reports financial information on a 52- or 53-week fiscal year ending on the last Sunday of each calendar year. The quarters ended June 28, 2026 and June 29, 2025 were 13-week periods. These unaudited interim consolidated financial statements ("these financial statements") include only the information and notes required for interim financial statements by generally accepted accounting principles in the United States of America ("GAAP") and the Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended December 28, 2025 ("2025 Form 10-K").

These financial statements have been prepared on the same basis as those presented in the 2025 Form 10-K and include all adjustments necessary for fair presentation of the quarterly periods presented. The quarterly results of operations are not necessarily indicative of the expected results for other quarters or the entire fiscal year. Preparation of financial statements requires Management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting periods. Actual results could differ materially from the estimates.

Fair Value of Financial Instruments

Certain assets and liabilities are carried at fair value. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying amounts of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable, accrued expenses, deposits and other current assets, and other current liabilities approximate their fair values due to their short-term maturities.

Interest Rate Swaps

As an element of the Company's interest rate risk management strategy, Management uses interest rate swaps. The intent of these instruments is to reduce cash flow exposure to variability in future interest rates on the Company's debt. Management has elected to designate and qualify the interest rate swaps as cash flow hedges. As such, the instruments are recorded on the consolidated balance sheets at fair value. Thereafter, gains or losses on the instruments are recognized in equity as changes to Other Comprehensive Income (Loss) and subsequently reclassified into earnings at the time of the Company's debt interest payments.

Summary of Recently Issued Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures,* which establishes new disclosure requirements related to purchases of inventory, employee compensation, selling expenses, depreciation and intangible amortization. The new guidance is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, and should be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. Management is currently evaluating the impact of this new standard on disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal - Use Software*, which updates the accounting for internal-use software by replacing stage-based rules with a principles-based framework, clarifying the criteria for capitalization and merging website development cost guidance. The amendments in this update are effective for annual periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. The update may be applied prospectively, retrospectively, or on a modified transition basis based on the status of the project and whether software costs were capitalized before the date of adoption. Management is currently evaluating the impact of this new standard.

In November 2025, the FASB issued ASU 2025-09, *Derivatives and Hedging: Hedge Accounting Improvements*, which includes amendments to more closely align hedge accounting with the economics of the Company's risk management activities. The amendments in this update are effective for annual periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted. Management is currently evaluating the impact of this new standard.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting: Narrow-Scope Improvements*, which makes targeted, narrow scope improvements to interim reporting to clarify application and improve consistency in practice. The amendments in this update are effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. Management is currently evaluating the impact of this new standard.

Recent accounting guidance not discussed herein is not applicable or did not have, or is not expected to have, a material impact to the Company.

3. Business Acquisitions

During the second quarter of 2025, the Company acquired, in two separate transactions, substantially all the assets associated with 19 franchise-operated First Watch restaurants. For both transactions, the purchase price was allocated to the fair value of the assets acquired and the liabilities assumed. The Company has finalized the purchase price allocations for the acquisitions and there were no adjustments made to the initial preliminary valuations.

	DATE OF ACQUISITION	
(in thousands, except number of acquired restaurants)	APRIL 14, 2025	APRIL 28, 2025
Number of acquired restaurants	3	16
Purchase price (cash)	$ 6,985	$ 49,247
Transaction costs incurred	$ 416	$ 1,017
Deferred franchise fees recognized as a result of termination of pre-existing franchise agreement	$ —	$ 398
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$ 5	$ 24
Inventory	$ 31	$ 159
Other assets	$ 9	$ 124
Property, fixtures and equipment	$ 2,998	$ 19,800
Reacquired rights	$ 1,920	$ 13,060
Goodwill	$ 2,876	$ 18,767
Operating right-of-use assets, net of lease positions and prepaid rent	$ 2,922	$ 17,305
Operating lease liabilities	$ (3,735)	$ (19,896)
Accounts payable	$ (2)	$ —
Deferred revenues - gift card liabilities assumed	$ (39)	$ (96)

Goodwill reflects the value of expected synergies and assembled workforce, and was assigned to the Company's single reporting unit. The Company treated the transactions as asset acquisitions for income tax purposes, which allows for any goodwill recognized to be tax deductible and amortized over a 15-year statutory life.

The weighted average estimated useful life of the reacquired rights was 6.1 years on the acquisition dates.

4. Revenues

Revenues recognized, disaggregated by type, were as follows:

(in thousands)	THIRTEEN WEEKS ENDED JUNE 28, 2026	THIRTEEN WEEKS ENDED JUNE 29, 2025	TWENTY-SIX WEEKS ENDED JUNE 28, 2026	TWENTY-SIX WEEKS ENDED JUNE 29, 2025
Restaurant sales:				
In-restaurant dining sales	$ 284,296	$ 247,400	$ 550,018	$ 474,127
Third-party delivery sales	41,343	34,465	81,035	66,470
Take-out sales	25,842	23,118	48,576	43,977
Total restaurant sales	351,481	304,983	679,629	584,574
Franchise revenues:				
Royalty and system fund contributions	3,109	2,451	5,864	5,038
Initial fees	82	55	138	117
Business combinations - revenues recognized	—	398	—	398
Total franchise revenues	3,191	2,904	6,002	5,553
Total revenues	$ 354,672	$ 307,887	$ 685,631	$ 590,127

The following tables include details of liabilities from contracts with customers:

(in thousands)	JUNE 28, 2026	DECEMBER 28, 2025
Deferred revenues:		
Deferred gift card revenue	$ 4,151	$ 6,548
Deferred franchise fee revenue - current	233	230
Total current deferred revenues	$ 4,384	$ 6,778
Other long-term liabilities:		
Deferred franchise fee revenue - non-current	$ 1,252	$ 1,226

Changes in deferred gift card contract liabilities were as follows:

(in thousands)	THIRTEEN WEEKS ENDED JUNE 28, 2026	THIRTEEN WEEKS ENDED JUNE 29, 2025	TWENTY-SIX WEEKS ENDED JUNE 28, 2026	TWENTY-SIX WEEKS ENDED JUNE 29, 2025
Deferred gift card revenue:				
Balance, beginning of period	$ 4,092	$ 3,154	$ 6,548	$ 5,385
Gift card sales	3,585	3,302	5,430	4,850
Gift card redemptions	(3,180)	(2,975)	(7,016)	(6,349)
Gift card breakage	(346)	(315)	(811)	(720)
Gift card liabilities assumed through acquisitions	—	135	—	135
Balance, end of period	$ 4,151	$ 3,301	$ 4,151	$ 3,301

Changes in deferred franchise fee contract liabilities were as follows:

(in thousands)	THIRTEEN WEEKS ENDED JUNE 28, 2026	THIRTEEN WEEKS ENDED JUNE 29, 2025	TWENTY-SIX WEEKS ENDED JUNE 28, 2026	TWENTY-SIX WEEKS ENDED JUNE 29, 2025
Deferred franchise fee revenue:				
Balance, beginning of period	$ 1,472	$ 1,902	$ 1,456	$ 1,929
Cash received	95	40	167	75
Franchise revenues recognized	(82)	(55)	(138)	(117)
Business combinations - franchise revenues recognized	—	(398)	—	(398)
Balance, end of period	$ 1,485	$ 1,489	$ 1,485	$ 1,489

5. Accounts Receivable

Accounts receivable consisted of the following:

(in thousands)	JUNE 28, 2026	DECEMBER 28, 2025
Receivables from third-party delivery providers	$ 2,488	$ 2,068
Receivables from vendors	1,727	1,337
Receivables from franchisees	1,222	907
Receivables related to gift card sales	753	2,091
Other receivables	623	456
Total accounts receivable	$ 6,813	$ 6,859

6. Accrued Liabilities

Accrued liabilities consisted of the following:

(in thousands)	JUNE 28, 2026	DECEMBER 28, 2025
Construction liabilities	$ 14,959	$ 11,588
Sales tax	10,306	8,806
Insurance liabilities	4,332	4,047
Utilities	3,002	2,892
Credit card fees	2,367	2,110
Property tax	2,238	1,453
Contingent rent	975	1,239
Other	8,329	6,361
Total accrued liabilities	$ 46,508	$ 38,496

7. Debt

Long-term debt, net consisted of the following:

	JUNE 28, 2026		DECEMBER 28, 2025	
(in thousands)	Balance	Interest Rate	Balance	Interest Rate
Term Facilities	$ 206,000	6.59%	$ 211,625	6.54%
Revolving Credit Facility	70,000	7.24%	56,000	7.17%
Finance lease liabilities	14,486		12,906	
Financing obligation	3,050		3,050	
Less: Unamortized debt discount and deferred issuance costs	(1,003)		(1,201)	
Total debt, net	292,533		282,380	
Less: Current portion of long-term debt	(14,843)		(13,309)	
Long-term debt, net	$ 277,690		$ 269,071	

Credit Facility

FWR Holding Corporation (“FWR”), a subsidiary of the Company, is the borrower under the credit agreement dated October 6, 2021, the terms of which were amended on February 24, 2023 and January 5, 2024 (as amended, the “Credit Agreement”), which provides for (i) a $225.0 million term loan A facility and delayed draw facility (the “Term Facilities”) and (ii) a $125.0 million revolving credit facility (the “Revolving Credit Facility” and, collectively with the Term Facilities, the “Credit Facility”). The Credit Facility matures on January 5, 2029.

As of June 28, 2026, borrowings under the Credit Facility bear interest at the option of FWR at either (i) the alternate base rate plus a margin of between 150 and 225 basis points depending on the total rent adjusted net leverage ratio of FWR and its restricted subsidiaries on a consolidated basis (the "Total Rent Adjusted Net Leverage Ratio") or (ii) the secured overnight financing rate ("SOFR"), plus a credit spread adjustment of 10 basis points plus a margin of between 250 and 325 basis points depending on the Total Rent Adjusted Net Leverage Ratio. Additionally, an unused commitment fee of between 37.5 and 50 basis points is paid on the undrawn commitments under the Revolving Credit Facility, also depending on the Total Rent Adjusted Net Leverage Ratio. Refer to Note 8, *Interest Rate Swaps*, for information about the Company's variable-to-fixed interest rate swap agreements.

Fair Value of Debt

The estimated fair value of the outstanding debt, excluding finance lease obligations and financing obligations, is classified as Level 3 in the fair value hierarchy and was estimated using discounted cash flow models, market yield and yield volatility. The following table includes the carrying value and fair value of the Company's debt as of the dates indicated:

	JUNE 28, 2026		DECEMBER 28, 2025	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Term Facilities	$ 206,000	$ 205,675	$ 211,625	$ 210,860
Revolving Credit Facility	$ 70,000	$ 69,865	$ 56,000	$ 55,761

Debt Covenants

The Credit Facility is guaranteed by all of FWR's wholly-owned domestic restricted subsidiaries, subject to customary exceptions, and by AI Fresh Parent, Inc., a Delaware corporation and the direct parent company of FWR ("Holdings"), and is secured by associated collateral agreements that pledge a lien on substantially all of FWR's and each guarantor's assets, including fixed assets and intangible assets, in each case, subject to customary exceptions.

Under the Credit Agreement, FWR (and in certain circumstances, Holdings) and its restricted subsidiaries are subject to customary affirmative, negative and financial covenants, maintenance of certain ratios, restrictions on additional indebtedness and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies). FWR was in compliance with the covenants under the Credit Agreement as of June 28, 2026.

8. Interest Rate Swaps

Interest rate swaps are utilized to hedge a portion of the cash flows of the Company's variable rate debt.

On June 23, 2023, the Company entered into two variable-to-fixed interest rate swaps. These interest rate swaps have an aggregate notional amount of $90.0 million and mature on October 6, 2026. Under the terms of these interest rate swaps, the Company will pay a weighted average fixed rate of 4.16% on the notional amount and will receive payments from, or make payments to, the counterparties based on the three-month SOFR rate.

On May 17, 2024, the Company entered into two additional variable-to-fixed interest rate swaps. These interest rate swaps have an aggregate notional amount of $60.0 million and mature on June 30, 2027. Under the terms of these interest rate swaps, the Company will pay a weighted average fixed rate of 4.42% on the notional amount and will receive payments from, or make payments to, the counterparties based on the three-month SOFR rate.

The fair value measurement of the interest rate swaps was based on the contractual terms and used observable market-based inputs. The interest rate swaps were valued using a discounted cash flow analysis on the expected cash flows using observable inputs including interest rate curves and credit spreads. Although the majority of the inputs used to value the instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and the counterparties. The Company has determined that the impact of the credit valuation adjustments was not significant to the overall valuation. As a result, the derivatives were classified within Level 2 of the fair value hierarchy.

Amounts reported in Other comprehensive income (loss) related to the interest rate swaps will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the twenty-six weeks ended June 28, 2026, a total of $0.4 million was reclassified from Other comprehensive income (loss) as an increase to interest expense. Over the next 12 months, Management estimates that $0.4 million will be reclassified as an increase to interest expense.

9. Leases

The following table includes detail of lease assets and liabilities:

(in thousands)	Consolidated Balance Sheet Classification	JUNE 28, 2026	DECEMBER 28, 2025
Finance lease assets - current	Deposits and other current assets	$ —	$ 120
Operating lease right-of-use assets	Operating lease right-of-use assets	660,068	614,548
Finance lease assets	Property, fixtures and equipment, net	12,204	10,730
Total lease assets		$ 672,272	$ 625,398
Operating lease liabilities - current(1)	Current portion of operating lease liabilities	$ 79,266	$ 75,034
Operating lease liabilities - non-current	Operating lease liabilities	701,656	651,254
Finance lease liabilities - current(1)	Current portion of long-term debt	2,187	2,059
Finance lease liabilities - non-current	Long-term debt, net	12,299	10,847
Total lease liabilities		$ 795,408	$ 739,194

(1) Excludes all variable lease expense.

The components of lease expense were as follows:

		THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	Consolidated Statements of Operations and Comprehensive Income Classification	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Operating lease expense	Other restaurant operating expenses Occupancy expenses Pre-opening expenses General and administrative expenses	$ 23,876	$ 20,914	$ 46,851	$ 40,544
Variable lease expense	Food and beverage costs Occupancy expenses General and administrative expenses	6,332	5,810	12,298	11,044
Finance lease expense:					
Amortization of leased assets	Depreciation and amortization	514	225	1,007	418
Interest on lease liabilities	Interest expense	236	87	446	131
Total lease expense (1)		$ 30,958	$ 27,036	$ 60,602	$ 52,137

(1) Includes contingent rent expense of $0.5 million and $0.4 million during the thirteen weeks ended June 28, 2026 and June 29, 2025, respectively, and $1.0 million and $0.9 million during the twenty-six weeks ended June 28, 2026 and June 29, 2025, respectively.

Supplemental cash flow information related to leases was as follows:

	TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	$ 37,737	$ 26,067
Operating cash flows - finance leases	$ 446	$ 131
Financing cash flows - finance leases	$ 781	$ 112

Supplemental information related to leases was as follows:

	TWENTY-SIX WEEKS ENDED	
	JUNE 28, 2026	JUNE 29, 2025
Weighted-average remaining lease term (in years)		
Operating leases	12.5	13.0
Finance leases	11.8	13.6
Weighted-average discount rate [(1)]		
Operating leases	7.7 %	7.7 %
Finance leases	6.5 %	6.2 %

(1) Based on the Company's incremental borrowing rate.

10. Equity and Stock-Based Compensation

Stock option awards

There were no stock option awards granted during the twenty-six weeks ended June 28, 2026. A summary of stock option activity during the twenty-six weeks ended June 28, 2026 was as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	AGGREGATE INTRINSIC VALUE *(in thousands)*	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE *(in years)*
Outstanding, December 28, 2025	3,577,374	$ 10.15	$ 20,614	3.2
Expired	(59,018)	$ 12.96		
Exercised	(28,781)	$ 8.86		
Outstanding and exercisable, June 28, 2026	3,489,575	$ 10.12	$ 9,356	2.6

The aggregate intrinsic value is based on the difference between the exercise price of the stock option and the closing price of the Company's common stock on the Nasdaq Global Select Market ("Nasdaq") on the last trading day of the period.

A summary of the non-vested stock option activity during the twenty-six weeks ended June 28, 2026 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE GRANT DATE FAIR VALUE PER SHARE
Nonvested, December 28, 2025	3,946	$ 5.22
Vested	(3,946)	$ 5.22
Nonvested, June 28, 2026	—	$ —

Restricted stock units

During the twenty-six weeks ended June 28, 2026, a total of 1,136,227 restricted stock units ("RSUs") were granted. Of these RSUs, 901,643 will vest over a period of three years; 113,353 will vest in full one year from the grant date; 94,636 will vest in full three years from the grant date; and 26,595 will vest in full four years from the grant date.

A summary of the Company's RSU activity during the twenty-six weeks ended June 28, 2026 is as follows:

	RESTRICTED STOCK UNITS	WEIGHTED AVERAGE GRANT DATE FAIR VALUE PER SHARE	AGGREGATE INTRINSIC VALUE (in thousands)
Outstanding, December 28, 2025	2,010,917	$ 17.60	$ 31,994
Granted	1,136,227	$ 12.33	
Forfeited	(79,553)	$ 16.09	
Vested	(551,676)	$ 18.30	
Outstanding, June 28, 2026	2,515,915	$ 15.11	$ 32,053

The aggregate intrinsic value is based on the closing price of the Company's common stock on Nasdaq of $12.74 and $15.91 on June 26, 2026 and December 26, 2025, the last trading days of the periods, respectively.

Stock-based compensation expense, net of amounts capitalized, was $3.7 million and $2.8 million during the thirteen weeks ended June 28, 2026 and June 29, 2025, respectively, and $7.0 million and $5.0 million during the twenty-six weeks ended June 28, 2026 and June 29, 2025, respectively. Capitalized stock-based compensation included in property, fixtures and equipment totaled $0.1 million for both the twenty-six weeks ended June 28, 2026 and June 29, 2025.

Unrecognized stock-based compensation expense

The following represents unrecognized stock-based compensation expense and the remaining weighted average vesting period as of June 28, 2026:

	UNRECOGNIZED STOCK-BASED COMPENSATION EXPENSE *(in thousands)*	REMAINING WEIGHTED AVERAGE RECOGNITION PERIOD *(in years)*
Restricted stock units	$ 31,421	2.6

As of June 28, 2026, all stock options were fully vested and there were no unvested stock options outstanding.

11. Income Taxes

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Income (loss) before income taxes	$ 3,368	$ 3,576	$ (66)	$ 2,039
Income tax expense	$ (1,029)	$ (1,470)	$ (280)	$ (762)
Effective income tax rate	30.6 %	41.1 %	*	37.4 %

*The effective income tax rate for the twenty-six weeks ended June 28, 2026 is not meaningful as a result of the low level of loss before income taxes in the period.

Management accounts for income taxes in interim periods using an estimated annual effective tax rate, adjusted for discrete items recognized during the period. For the thirteen and twenty-six weeks ended June 28, 2026, the Company recorded income tax expense. The income tax expense reflects the application of the estimated annual effective income tax rate to the Company's actual earnings for the periods, partially offset by discrete tax items, which include the impact of stock-based compensation.

The effective income tax rate for the thirteen weeks ended June 28, 2026 decreased compared to the prior year period primarily due to changes in (i) the benefit of federal tax credits received by the Company for FICA taxes paid on certain employee tips, (ii) state income taxes and (iii) stock-based compensation tax impacts.

Valuation allowance

Management routinely assesses the realizability of deferred tax assets, and may record a valuation allowance if, based on all available positive and negative evidence, the determination is reached that some portion of the deferred tax assets may not be realized prior to expiration. If Management determines that the Company may be able to realize the deferred tax assets in the future, the Company would make an adjustment to the deferred tax assets valuation allowance, which would reduce the provision for income taxes during the period in which the determination was made. As of the period ended June 28, 2026 based upon all available evidence, Management has maintained a valuation allowance against a portion of the deferred tax assets.

As the Company's future taxable earnings increase and the deferred tax assets are utilized, it is possible that a portion of the valuation allowance will no longer be needed. Release of any valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense in the period of the release. The timing and amount of any release related to future taxable income is currently indeterminable.

12. Commitments and Contingencies

Legal Proceedings

The Company is subject to legal proceedings, claims and liabilities that arise in the ordinary course of business. The amount of the anticipated liability with respect to these matters was not material as of June 28, 2026. In the event any litigation losses become probable and estimable, the Company will recognize anticipated losses.

13. Segment Information

Management determined the Company's single operating segment on the basis that the Company's Chief Operating Decision Maker (the "CODM"), the Chief Executive Officer, assesses performance and allocates resources at the Company's consolidated level. The Company's CODM uses consolidated net income (loss) to evaluate performance and make key operating decisions, such as investments in our long-term growth strategy. This measure is also used to monitor budget against actual results.

Revenue is derived from sales of food and beverage, net of discounts, by our restaurants as well as franchise royalty, system fund and initial franchise fees. The measure of total assets for the reporting segment is reported on the consolidated balance sheets as total assets. The measure of capital expenditures for the reporting segment is reported on the consolidated statements of cash flows as capital expenditures.

The following table details consolidated net income (loss) for the segment for the periods indicated:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Total revenues	$ 354,672	$ 307,887	$ 685,631	$ 590,127
Less:				
Food and beverage costs	82,593	71,978	156,903	138,625
Labor and other related expenses	115,723	101,310	226,332	198,064
Other restaurant operating expenses	55,557	46,603	107,461	90,862
Occupancy expenses	28,345	24,809	55,755	47,958
Pre-opening expenses	3,315	3,507	6,372	6,167
Stock-based compensation, net of amounts capitalized	3,697	2,790	7,049	5,049
General and administrative expenses (1)	35,030	30,395	71,623	58,355
Depreciation and amortization	21,839	18,136	43,235	34,693
Other segment items (2)	446	1,046	1,775	1,928
Interest expense	4,892	4,003	9,670	7,337
Other income, net	(133)	(266)	(478)	(950)
Income tax expense	1,029	1,470	280	762
Net income (loss)	$ 2,339	$ 2,106	$ (346)	$ 1,277

(1) General and administrative expenses excludes stock-based compensation, net of amounts capitalized, which is presented separately.
(2) Other segment items included in segment net income (loss) include transaction and restructuring expenses, net and impairments and loss on disposal of assets.

14. Net Income (Loss) Per Common Share

The following table sets forth the computations of basic and diluted net income (loss) per common share:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands, except share and per share data)	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Numerator:				
Net income (loss)	$ 2,339	$ 2,106	$ (346)	$ 1,277
Denominator:				
Weighted average common shares outstanding - basic	61,669,719	61,005,648	61,456,606	60,886,525
Weighted average common shares outstanding - diluted	62,296,801	62,579,658	61,456,606	62,732,072
Net income (loss) per common share - basic	$ 0.04	$ 0.03	$ (0.01)	$ 0.02
Net income (loss) per common share - diluted	$ 0.04	$ 0.03	$ (0.01)	$ 0.02
Stock options outstanding not included in diluted net income (loss) per common share as their effect is anti-dilutive	1,411,654	12,552	221,794	12,552
Restricted stock units outstanding not included in diluted net income (loss) per share as their effect is anti-dilutive	1,414,019	543,436	914,337	—

Diluted net income (loss) per common share is calculated by adjusting the weighted average shares outstanding for the theoretical effect of potential common shares that would be issued for stock awards outstanding and unvested as of the respective periods using the treasury method. In addition, for the twenty-six weeks ended June 28, 2026 all stock option awards outstanding were excluded from the calculation of diluted net loss per common share because of their anti-dilutive impact.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q and our audited consolidated financial statements and notes included in our 2025 Form 10-K. As discussed in the "Cautionary Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may materially differ from those discussed in such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified in our 2025 Form 10-K, including under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and in "Part II, Item 1A. Risk Factors" of this Form 10-Q.

References to "we," "us," "our" and "the Company" in this Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") refer to First Watch Restaurant Group, Inc., collectively with its wholly-owned subsidiaries.

Overview

First Watch is an award-winning Daytime Dining concept serving made-to-order breakfast, brunch and lunch using fresh ingredients. Our common stock trades on the Nasdaq under the ticker symbol "FWRG." A recipient of many local "Best Breakfast" and "Best Brunch" accolades, First Watch's award-winning chef-driven menu includes elevated executions of classic favorites alongside innovative dishes and fresh juices. For four consecutive years, First Watch has been named a Top 100 Most Loved Workplace® by the Best Practice Institute, and in 2025, was named the #1 Most Loved Workplace for the second year in a row, as featured in *The Wall Street Journal*.

We employ more than 18,000 employees, operate and franchise restaurants in 33 states under the "First Watch" trade name and, as of June 28, 2026, had 586 company-owned restaurants and 79 franchise-owned restaurants.

Recent Developments

Financial highlights for the thirteen weeks ended June 28, 2026 ("second quarter of 2026") as compared, unless otherwise indicated below, to the thirteen weeks ended June 29, 2025 ("second quarter of 2025") reflect the continued momentum of our operating performance and include the following:

- Opened 18 system-wide restaurants in 15 states, with 1 planned closure, resulting in a total of 665 system-wide restaurants (586 company-owned and 79 franchise-owned) across 33 states as of June 28, 2026
- Total revenues increased 15.2% to $354.7 million from $307.9 million
- System-wide sales increased 14.7% to $397.0 million from $346.2 million
- Same-restaurant sales growth of 3.4%
- Same-restaurant traffic growth of negative 0.4%
- Income from operations margin decreased to 2.3% from 2.4%
- Restaurant level operating profit margin* increased to 18.8% from 18.6%
- Net income increased to $2.3 million, or $0.04 per diluted share, from net income of $2.1 million, or $0.03 per diluted share
- Adjusted EBITDA* increased to $34.5 million from $30.4 million

* See *Non-GAAP Financial Measures Reconciliations* section below.

Business Trends

In the second quarter of 2026, we experienced same-restaurant sales growth of 3.4% and same-restaurant traffic growth of negative 0.4%. We expect annual same-restaurant sales growth to be between 1.5% to 3.0%.

For the second quarter in a row, we experienced commodity deflation of 1.6%, primarily due to lower costs of eggs, avocados, and bacon, mostly offset by the demand for newly introduced higher cost beef offerings and an increase in coffee prices. We expect our full year commodity inflation to be approximately zero to 1.5%.

Restaurant-level wage inflation during the second quarter of 2026 was 4.1% and full year inflation is expected to be approximately 3.5% to 4.5%.

Key Performance Indicators

Throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations," we discuss the following key operating metrics that we believe will drive our financial results and long-term growth model. We believe these metrics are useful to investors because Management uses these metrics to evaluate performance and assess the growth of our business as well as the effectiveness of our marketing and operational strategies.

New Restaurant Openings ("NROs"): the number of new company-owned First Watch restaurants commencing operations during the period. Management reviews the number of new restaurants to assess new restaurant growth and company-owned restaurant sales.

Franchise-owned New Restaurant Openings ("Franchise-owned NROs"): the number of new franchise-owned First Watch restaurants commencing operations during the period.

Same-Restaurant Sales Growth: the percentage change in year-over-year restaurant sales (excluding gift card breakage) for the comparable restaurant base, which we define 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 and twenty-six weeks ended June 28, 2026 and June 29, 2025, there were 454 restaurants and 382 restaurants, respectively, in our Comparable Restaurant Base. Measuring our same-restaurant sales growth allows Management to evaluate the performance of our existing restaurant base. We believe this measure is useful for investors to provide a consistent comparison of restaurant sales results and trends across periods within our core, established restaurant base, unaffected by results of store openings, closings, and other transitional changes.

Same-Restaurant Traffic Growth: the percentage change in year-over-year traffic counts using the Comparable Restaurant Base. Measuring our same-restaurant traffic growth allows Management to evaluate the performance of our existing restaurant base. We believe this measure is useful for investors because same-restaurant traffic provides an indicator as to the development of our brand and the effectiveness of our marketing strategy.

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.

Non-GAAP Financial Measures

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 have no meaningful 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 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.

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

We use Restaurant level operating profit and Restaurant level operating profit margin (i) to evaluate the performance and profitability of operating restaurants, individually and in the aggregate, and (ii) to make decisions regarding future spending and other operational decisions.

Adjusted EBITDA: represents Net income (loss) before depreciation and amortization, interest expense, income taxes, and items that we do not consider in our evaluation of ongoing core operating performance as identified in the reconciliation of Net income (loss), the most directly comparable measure in accordance with GAAP, to Adjusted EBITDA, included in the section *Non-GAAP Financial Measure Reconciliations* below.

Adjusted EBITDA Margin: represents Adjusted EBITDA as a percentage of total revenues. See *Non-GAAP Financial Measure Reconciliations* below for a reconciliation to Net income (loss) margin, the most directly comparable GAAP measure.

Restaurant Level Operating Profit: represents 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 other items that we do not consider in the evaluation of the ongoing core operating performance of our restaurants as identified in the reconciliation of Income from operations, the most directly comparable GAAP measure, to Restaurant level operating profit, included in the section *Non-GAAP Financial Measure Reconciliations* below.

Restaurant Level Operating Profit Margin: represents Restaurant level operating profit as a percentage of restaurant sales. See *Non-GAAP Financial Measure Reconciliations* below for a reconciliation to Income from operations margin, the most directly comparable GAAP measure.

Selected Operating Data

	THIRTEEN WEEKS ENDED JUNE 28, 2026		
	COMPANY-OWNED	FRANCHISE-OWNED	TOTAL
Beginning of period	572	76	648
New restaurant openings	14	4	18
Closures	—	(1)	(1)
End of period	586	79	665

	TWENTY-SIX WEEKS ENDED JUNE 28, 2026		
	COMPANY-OWNED	FRANCHISE-OWNED	TOTAL
Beginning of period	560	73	633
New restaurant openings	27	7	34
Closures	(1)	(1)	(2)
End of period	586	79	665

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
System-wide sales (in thousands)	$ 397,046	$ 346,209	$ 764,612	$ 669,208
Same-restaurant sales growth	3.4 %	3.5 %	3.2 %	2.1 %
Same-restaurant traffic growth	(0.4)%	2.0 %	(1.2)%	0.6 %
Income from operations (in thousands)	$ 8,127	$ 7,313	$ 9,126	$ 8,426
Income from operations margin	2.3 %	2.4 %	1.3 %	1.4 %
Restaurant level operating profit (in thousands) (1)	$ 65,948	$ 56,776	$ 126,806	$ 102,898
Restaurant level operating profit margin (1)	18.8 %	18.6 %	18.7 %	17.6 %
Net income (loss) (in thousands)	$ 2,339	$ 2,106	$ (346)	$ 1,277
Net income (loss) margin	0.7 %	0.7 %	(0.1)%	0.2 %
Adjusted EBITDA (in thousands) (2)	$ 34,470	$ 30,379	$ 62,267	$ 53,132
Adjusted EBITDA margin (2)	9.7 %	9.9 %	9.1 %	9.0 %

(1) Reconciliations from Income from operations and Income from operations margin, the most comparable GAAP measures to Restaurant level operating profit and Restaurant level operating profit margin, respectively, are set forth in the schedules within the *Non-GAAP Financial Measures Reconciliations* section below.

(2) Reconciliations from Net income (loss) and Net income (loss) margin, the most comparable GAAP measures to Adjusted EBITDA and Adjusted EBITDA margin, respectively, are set forth in the schedules within the *Non-GAAP Financial Measures Reconciliations* section below.

Results of Operations

The following table summarizes our results of operations and the percentages of items in our Consolidated Statements of Operations and Comprehensive Income in relation to Total revenues or, where indicated, Restaurant sales for the thirteen and twenty-six weeks ended June 28, 2026 and June 29, 2025:

	THIRTEEN WEEKS ENDED				TWENTY-SIX WEEKS ENDED			
(in thousands)	JUNE 28, 2026		JUNE 29, 2025		JUNE 28, 2026		JUNE 29, 2025	
Revenues								
Restaurant sales	$ 351,481	99.1 %	$ 304,983	99.1 %	$ 679,629	99.1 %	$ 584,574	99.1 %
Franchise revenues	3,191	0.9 %	2,904	0.9 %	6,002	0.9 %	5,553	0.9 %
Total revenues	354,672	100.0 %	307,887	100.0 %	685,631	100.0 %	590,127	100.0 %
Operating costs and expenses								
Restaurant operating expenses (1) (exclusive of depreciation and amortization shown below):								
Food and beverage costs	82,593	23.5 %	71,978	23.6 %	156,903	23.1 %	138,625	23.7 %
Labor and other related expenses	115,723	32.9 %	101,310	33.2 %	226,332	33.3 %	198,064	33.9 %
Other restaurant operating expenses	55,557	15.8 %	46,603	15.3 %	107,461	15.8 %	90,862	15.5 %
Occupancy expenses	28,345	8.1 %	24,809	8.1 %	55,755	8.2 %	47,958	8.2 %
Pre-opening expenses	3,315	0.9 %	3,507	1.1 %	6,372	0.9 %	6,167	1.1 %
General and administrative expenses	38,727	10.9 %	33,185	10.8 %	78,672	11.5 %	63,404	10.7 %
Depreciation and amortization	21,839	6.2 %	18,136	5.9 %	43,235	6.3 %	34,693	5.9 %
Impairments and loss on disposal of assets	114	— %	127	— %	267	— %	136	— %
Transaction and restructuring expenses, net	332	0.1 %	919	0.3 %	1,508	0.2 %	1,792	0.3 %
Total operating costs and expenses	346,545	97.7 %	300,574	97.6 %	676,505	98.7 %	581,701	98.6 %
Income from operations (1)	8,127	2.3 %	7,313	2.4 %	9,126	1.3 %	8,426	1.4 %
Interest expense	(4,892)	(1.4)%	(4,003)	(1.3)%	(9,670)	(1.4)%	(7,337)	(1.2)%
Other income, net	133	— %	266	0.1 %	478	0.1 %	950	0.2 %
Income (loss) before income taxes	3,368	0.9 %	3,576	1.2 %	(66)	— %	2,039	0.3 %
Income tax expense	(1,029)	(0.3)%	(1,470)	(0.5)%	(280)	— %	(762)	(0.1)%
Net income (loss)	$ 2,339	0.7 %	$ 2,106	0.7 %	$ (346)	(0.1)%	$ 1,277	0.2 %

(1) As a percentage of restaurant sales.

Restaurant Sales

Restaurant sales represent the aggregate sales of food and beverages, net of discounts, at company-owned restaurants. Restaurant sales in any period are directly influenced by the number of operating weeks in the period, the number of open restaurants, customer traffic and average check. Average check growth is the combined result of our menu price increases and changes to our menu mix.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**
Restaurant sales:						
In-restaurant dining sales	$ 284,296	$ 247,400	14.9 %	$ 550,018	$ 474,127	16.0 %
Third-party delivery sales	41,343	34,465	20.0 %	81,035	66,470	21.9 %
Take-out sales	25,842	23,118	11.8 %	48,576	43,977	10.5 %
Total restaurant sales	$ 351,481	$ 304,983	15.2 %	$ 679,629	$ 584,574	16.3 %

The increase in total restaurant sales during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year was due principally to (i) a higher number of restaurants from new openings, (ii) the acquisition of 19 franchise-owned restaurants during the thirteen weeks ended June 29, 2025 and (iii) positive same-restaurant sales growth of 3.4%, partially offset by the 0.4% decrease in same-restaurant traffic.

Franchise Revenues

Franchise revenues are comprised of sales-based royalty fees, system fund contributions and the amortization of upfront initial franchise fees, which are recognized as revenue on a straight-line basis over the term of the franchise agreement. Franchise revenues in any period are directly influenced by the number of open franchise-owned restaurants.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**
Franchise revenues:						
Royalty and system fund contributions	$ 3,109	$ 2,451	26.8 %	$ 5,864	$ 5,038	16.4 %
Initial fees	82	55	49.1 %	138	117	17.9 %
Business acquisitions - franchise revenues recognized	—	398	(100.0)%	—	398	(100.0)%
Total Franchise revenues	$ 3,191	$ 2,904	9.9 %	$ 6,002	$ 5,553	8.1 %

The increases in franchise revenues during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year was due to (i) an increase in the system fund contribution rate during the first quarter of 2026 and (ii) 11 new franchise-owned restaurant openings between June 29, 2025 and June 28, 2026. These increases were partially offset by our acquisitions of 19 franchise-owned restaurants during the thirteen weeks ended June 29, 2025.

Food and Beverage Costs

Food and beverage costs at company-owned restaurants vary with sales volume and are subject to increases and declines in commodity costs.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**
Food and beverage costs	$ 82,593	$ 71,978	14.7 %	$ 156,903	$ 138,625	13.2 %
As a percentage of restaurant sales	23.5 %	23.6 %	(0.1)%	23.1 %	23.7 %	(0.6)%

Food and beverage costs as a percentage of restaurant sales decreased during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year primarily as a result of (i) menu price increases and (ii) the lower cost of eggs, avocados and bacon, mostly offset by the demand for newly introduced higher cost beef offerings and an increase in coffee prices.

Food and beverage costs increased during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year primarily as a result of the 57 new restaurant openings between June 29, 2025 and June 28, 2026 and the 19 franchise restaurants acquired during the thirteen weeks ended June 29, 2025. These increases were partially offset by commodity deflation.

Labor and Other Related Expenses

Labor and other related expenses include hourly and management wages, bonuses, payroll taxes, workers' compensation expense and employee benefits. Factors that influence labor costs include minimum wage and payroll tax legislation, health care costs, the number and performance of our company-owned restaurants and competition for qualified staff.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**
Labor and other related expenses	$ 115,723	$ 101,310	14.2 %	$ 226,332	$ 198,064	14.3 %
As a percentage of restaurant sales	32.9 %	33.2 %	(0.3)%	33.3 %	33.9 %	(0.6)%

Labor and other related expenses as a percentage of restaurant sales decreased during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year primarily as a result of the leverage associated with menu price increases, partially offset by wage increases.

The increases in labor and other related expenses during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year were primarily due to (i) the increase in the number of company-owned restaurants and related headcount and (ii) wage increases.

Other Restaurant Operating Expenses

Other restaurant operating expenses consist of marketing and advertising expenses, utilities, insurance and other variable expenses incidental to operating company-owned restaurants, such as operating supplies (including paper products, menus and to-go supplies), credit card fees, repairs and maintenance, and third-party delivery services fees.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**	**JUNE 28, 2026**	**JUNE 29, 2025**	**Change**
Other restaurant operating expenses	$ 55,557	$ 46,603	19.2 %	$ 107,461	$ 90,862	18.3 %
As a percentage of restaurant sales	15.8 %	15.3 %	0.5 %	15.8 %	15.5 %	0.3 %

Other restaurant operating expenses as a percentage of restaurant sales increased during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year primarily due to an increase in utilities, repairs and maintenance expenses.

The increase in other restaurant operating expenses during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year was primarily due to the increase in the number of company-owned restaurants driving increased expenses, including (i) $3.4 million related to utilities, repairs and maintenance expenses, (ii) $2.4 million in operating supplies, (iii) $1.6 million in third-party delivery fees and (iv) $0.9 million in credit card fees.

The increase in other restaurant operating expenses during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year was primarily due to the increase in the number of company-owned restaurants driving increased expenses, including (i) $6.0 million related to utilities, repairs and maintenance expenses, (ii) $4.5 million in operating supplies, (iii) $3.2 million in third-party delivery fees and (iv) $1.9 million in credit card fees.

Occupancy Expenses

Occupancy expenses primarily consist of rent expense, property insurance, common area expenses and property taxes.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Occupancy expenses	$ 28,345	$ 24,809	14.3 %	$ 55,755	$ 47,958	16.3 %
As a percentage of restaurant sales	8.1 %	8.1 %	— %	8.2 %	8.2 %	— %

The increases in occupancy expenses during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year were primarily due to the increase in the number of company-owned restaurants.

Pre-opening Expenses

Pre-opening expenses are costs incurred to open new company-owned restaurants. Pre-opening expenses include rent expense, manager salaries, recruiting expenses, employee payroll and training costs. Pre-opening expenses can fluctuate from period to period, based on the number and timing of new company-owned restaurant openings.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Pre-opening expenses	$ 3,315	$ 3,507	(5.5)%	$ 6,372	$ 6,167	3.3 %

The decrease in pre-opening expenses during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year was primarily due to the lower number of new company-owned restaurants opened during the period.

The increase in pre-opening expenses during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year was primarily due to the higher number of new company-owned restaurants opened during the period.

General and Administrative Expenses

General and administrative expenses primarily consist of costs associated with our corporate and administrative functions that support restaurant development and operations including marketing and advertising costs incurred as well as legal fees, professional fees, stock-based compensation and expenses associated with being a public company, including costs associated with our compliance with the Sarbanes-Oxley Act. General and administrative expenses are impacted by changes in our employee headcount and costs related to strategic and growth initiatives.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
General and administrative expenses	$ 38,727	$ 33,185	16.7 %	$ 78,672	$ 63,404	24.1 %

The increase in general and administrative expenses during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year was mainly due to (i) a $4.0 million increase in marketing expenses, (ii) a $1.0 million increase in compensation expenses related to stock compensation and additional employee headcount to support growth and (iii) a $0.7 million increase in licenses and fees including information technology related expenses for an increased number of restaurants. The increase was partially offset by a decrease in consulting and other professional services fees.

The increase in general and administrative expenses during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year was mainly due to (i) a $5.7 million increase in marketing expenses, (ii) a $4.5 million increase in compensation expenses related to stock compensation, bonus expenses and additional employee headcount to support growth, (iii) a $3.9 million increase related to 2026 leadership conference expenses and (iv) a $1.1 million increase in licenses and fees including information technology related expenses for an increased number of restaurants. The increase was partially offset by a decrease in consulting and other professional services fees.

Depreciation and Amortization

Depreciation and amortization consists of the depreciation of fixed assets, including leasehold improvements, fixtures and equipment and the amortization of definite-lived intangible assets, which are primarily comprised of franchise rights.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Depreciation and amortization	$ 21,839	$ 18,136	20.4 %	$ 43,235	$ 34,693	24.6 %

The increases in depreciation and amortization during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year were primarily related to depreciating and amortizing the assets of NROs and of acquired restaurants, including reacquired rights from franchisees.

Transaction and Restructuring Expenses, Net

Transaction and restructuring expenses, net principally include (i) incremental severance costs resulting from organizational optimization, (ii) costs incurred in connection with the 2025 acquisitions of franchise-owned restaurants and (iii) costs related to secondary equity offerings completed in 2025.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Transaction and restructuring expenses, net	$ 332	$ 919	(63.9)%	$ 1,508	$ 1,792	(15.8)%

The decrease in transaction and restructuring expenses, net during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year was due to a decrease in costs incurred in connection with (i) 2025 acquisitions and (ii) 2025 secondary equity offering costs.

The decrease in transaction and restructuring expenses, net during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year was due to decreases in costs incurred in connection with (i) 2025 acquisitions and (ii) 2025 secondary equity offering costs. The decrease was partially offset by an increase in organizational optimization costs.

Income from Operations

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Income from operations	$ 8,127	$ 7,313	11.1 %	$ 9,126	$ 8,426	8.3 %
As a percentage of restaurant sales	2.3 %	2.4 %	(0.1)%	1.3 %	1.4 %	(0.1)%

Income from operations margin decreased during the thirteen and twenty-six weeks ended June 28, 2026 compared to the same periods in the prior year due to increases in expenses as a percentage of sales, primarily (i) general and administrative expenses, (ii) other restaurant operating expenses and (iii) depreciation and amortization expense.

Interest Expense

Interest expense primarily consists of interest and fees on our outstanding debt and the amortization expense for debt discount and deferred issuance costs.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Interest expense	$ 4,892	$ 4,003	22.2 %	$ 9,670	$ 7,337	31.8 %

The increases in interest expense during the thirteen and twenty-six weeks ended June 28, 2026 as compared to the same periods in the prior year were due to increased debt.

Other Income, Net

Other income, net includes items deemed to be non-operating based on Management's assessment of the nature of the item in relation to our core operations.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Other income, net	$ 133	$ 266	(50.0)%	$ 478	$ 950	(49.7)%

Other income, net decreased during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year primarily due to a decrease in sales tax commissions.

Other income, net decreased during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year primarily due to a decrease in insurance proceeds.

Income Tax

Income tax consists of federal and state taxes.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Income tax expense	$ (1,029)	$ (1,470)	(30.0)%	$ (280)	$ (762)	(63.3)%
Effective income tax rate	30.6 %	41.1 %	(10.5)%	*	37.4 %	N/M

*The effective income tax rate for the twenty-six weeks ended June 28, 2026 is not meaningful as a result of the low level of loss before income taxes in the period.

Income tax expense and the effective income tax rate decreased for the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year, primarily due to the benefit of federal FICA tax credits and changes in executive compensation related tax impacts.

Income tax expense for the twenty-six weeks ended June 28, 2026 decreased as compared to the same period in the prior year primarily due to (i) lower income before income taxes, (ii) the benefit of federal FICA tax credits and (iii) changes in executive compensation related tax impacts.

Net Income (Loss)

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Net income (loss)	$ 2,339	$ 2,106	11.1 %	$ (346)	$ 1,277	(127.1)%
As a percentage of total revenues	0.7 %	0.7 %	— %	(0.1)%	0.2 %	(0.3)%

Net income (loss) increased during the thirteen weeks ended June 28, 2026 as compared to the same period in the prior year primarily due to (i) the increase in income from operations and (ii) a decrease in income tax expense, partially offset by an increase in interest expense.

Net income (loss) and net income (loss) margin decreased during the twenty-six weeks ended June 28, 2026 as compared to the same period in the prior year primarily due to an increase in interest expense associated with increased borrowings, partially offset by the increase in income from operations and a decrease in income tax expense.

Restaurant Level Operating Profit and Restaurant Level Operating Profit Margin

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Restaurant level operating profit	$ 65,948	$ 56,776	16.2 %	$ 126,806	$ 102,898	23.2 %
Restaurant level operating profit margin	18.8 %	18.6 %	0.2 %	18.7 %	17.6 %	1.1 %

Restaurant level operating profit margin during the thirteen and twenty-six weeks ended June 28, 2026 increased as compared to the same periods in the prior year primarily due to (i) favorable labor and other related expenses as a percentage of restaurant sales and (ii) favorable food and beverage costs as a percentage of sales, partially offset by the increase in other restaurant operating expenses as a percentage of restaurant sales.

Restaurant level operating profit for the thirteen and twenty-six weeks ended June 28, 2026 increased as compared to the same periods in the prior year due to sales growth driven by increases in (i) restaurant locations and (ii) same-restaurant sales. This was partially offset by increases in expenses associated primarily with an increase in the number of company-owned restaurants, including (i) labor and other related expenses, (ii) food and beverage costs, (iii) other restaurant operating expenses and (iv) occupancy expenses.

Adjusted EBITDA and Adjusted EBITDA Margin

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	Change	JUNE 28, 2026	JUNE 29, 2025	Change
Adjusted EBITDA	$ 34,470	$ 30,379	13.5 %	$ 62,267	$ 53,132	17.2 %
Adjusted EBITDA margin	9.7 %	9.9 %	(0.2)%	9.1 %	9.0 %	0.1 %

Adjusted EBITDA margin decreased during the thirteen weeks ended June 28, 2026 compared to the same period in the prior year primarily due to an increase in general and administrative expenses as a percentage of revenues, partially offset by an increase in restaurant level operating profit.

Adjusted EBITDA margin increased during the twenty-six weeks ended June 28, 2026 compared to the same period in the prior year primarily due to an increase in restaurant level operating profit margin, partially offset by an increase in general and administrative expenses as a percentage of revenues.

Adjusted EBITDA increased during the thirteen and twenty-six weeks ended June 28, 2026 compared to the same periods in the prior year primarily due to an increase in restaurant level operating profit, partially offset by an increase in general and administrative expenses.

Non-GAAP Financial Measures Reconciliations

Adjusted EBITDA and Adjusted EBITDA margin - The following table reconciles 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:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Net income (loss)	$ 2,339	$ 2,106	$ (346)	$ 1,277
Depreciation and amortization	21,839	18,136	43,235	34,693
Interest expense	4,892	4,003	9,670	7,337
Income tax expense	1,029	1,470	280	762
EBITDA	30,099	25,715	52,839	44,069
Strategic transition costs [1]	228	799	604	2,033
Stock-based compensation, net of amounts capitalized [2]	3,697	2,790	7,049	5,049
Delaware Voluntary Disclosure Agreement Program [3]	—	29	—	53
Transaction and restructuring expenses, net [4]	332	919	1,508	1,792
Impairments and loss on disposal of assets [5]	114	127	267	136
Adjusted EBITDA	$ 34,470	$ 30,379	$ 62,267	$ 53,132
Total revenues	$ 354,672	$ 307,887	$ 685,631	$ 590,127
Net income (loss) margin	0.7 %	0.7 %	(0.1)%	0.2 %
Adjusted EBITDA margin	9.7 %	9.9 %	9.1 %	9.0 %
Additional information				
Deferred rent [6]	$ (344)	$ 293	$ (499)	$ 478

(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, net of amounts capitalized, 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 severance costs resulting from organizational optimization, costs incurred in connection with the acquisition of franchise-owned restaurants, secondary equity offering costs and costs related to restaurant closures.

(5) Represents impairment charges and costs related to the disposal of assets due to retirements, replacements, and restaurant closures.

(6) Represents the non-cash portion of straight-line rent 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 - The following table reconciles Income from operations and Income from operations margin, the most comparable GAAP measures to Restaurant level operating profit and Restaurant level operating profit margin, respectively, for the periods indicated:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025	JUNE 28, 2026	JUNE 29, 2025
Income from operations	$ 8,127	$ 7,313	$ 9,126	$ 8,426
Less: Franchise revenues	(3,191)	(2,904)	(6,002)	(5,553)
Add:				
General and administrative expenses	38,727	33,185	78,672	63,404
Depreciation and amortization	21,839	18,136	43,235	34,693
Transaction and restructuring expenses, net (1)	332	919	1,508	1,792
Impairments and loss on disposal of assets (2)	114	127	267	136
Restaurant level operating profit	$ 65,948	$ 56,776	$ 126,806	$ 102,898
Restaurant sales	$ 351,481	$ 304,983	$ 679,629	$ 584,574
Income from operations margin	2.3 %	2.4 %	1.3 %	1.4 %
Restaurant level operating profit margin	18.8 %	18.6 %	18.7 %	17.6 %
Additional information				
Deferred rent(3)	$ (359)	$ 244	$ (530)	$ 379

(1) Represents severance costs resulting from organizational optimization, costs incurred in connection with the acquisition of franchise-owned restaurants, secondary equity offering costs and costs related to restaurant closures.

(2) Represents impairment charges and costs related to the disposal of assets due to retirements, replacements, and restaurant closures.

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

Liquidity and Capital Resources

As of June 28, 2026, we had cash and cash equivalents of $20.5 million and outstanding borrowings under the Credit Facility of $276.0 million, excluding unamortized debt discount and deferred issuance costs. We had availability of $52.5 million under our revolving credit facility of $125.0 million, of which $2.5 million is reserved under letters of credit pursuant to our credit agreement, dated as of October 6, 2021, as amended ("Credit Agreement"). Our principal uses of cash include capital expenditures for the development, acquisition or remodeling of restaurants, lease obligations, debt service payments and strategic infrastructure investments. Our working capital requirements are low due to our restaurants storing minimal inventory and customers paying for their purchases at the time of the sale, which frequently precedes our payment terms with suppliers.

We believe that our cash flow from operations combined with our availability under the Credit Facility and our cash and cash equivalents will be sufficient to meet our liquidity needs for at least the next 12 months. We anticipate that to the extent that we require additional liquidity, or should we decide to pursue one or more significant acquisitions, the funds would be furnished first through additional indebtedness and thereafter through the issuance of equity. Although we believe that our current level of total available liquidity is sufficient to meet our short-term and long-term liquidity requirements, we regularly evaluate opportunities to improve our liquidity position in order to enhance financial flexibility.

We estimate that our capital expenditures will total approximately $145.0 million to $150.0 million in 2026. This capital is invested primarily in new restaurant projects and planned remodels. We intend to fund the capital expenditures primarily with cash generated from our operating activities as well as with borrowings pursuant to our Credit Agreement.

Summary of Cash Flows

The following table presents a summary of our cash provided by (used in) operating, investing and financing activities for the twenty-six weeks ended June 28, 2026 and June 29, 2025:

	TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 28, 2026	JUNE 29, 2025
Cash provided by operating activities	$ 61,896	$ 59,570
Cash used in investing activities	(70,506)	(132,849)
Cash provided by financing activities	7,849	59,144
Net decrease in cash and cash equivalents	$ (761)	$ (14,135)

Cash provided by operations is our typical source of liquidity used (i) to fund capital expenditures for new restaurants, (ii) to maintain and remodel existing restaurants and (iii) for debt service. During the twenty-six weeks ended June 28, 2026 as compared to the twenty-six weeks ended June 29, 2025, there was an increase in cash provided by operations primarily due to an increase in company-owned restaurants, partially offset by the timing of operational payments.

Cash used in investing activities decreased during the twenty-six weeks ended June 28, 2026 from the twenty-six weeks ended June 29, 2025 due principally to (i) amounts paid in 2025 to acquire franchise locations and (ii) the timing of capital expenditures and payments.

Cash provided by financing activities includes borrowing from, and repayments of, the Company's Credit Facility.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon the accompanying consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements and related notes requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our evaluation of trends in the industry and information available from other outside sources, as appropriate. We evaluate our estimates and judgments on an on-going basis. Our actual results may differ from these estimates. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. There have been no significant changes to our critical accounting policies as disclosed in "*Critical Accounting Policies and Estimates*" in the 2025 Form 10-K.

Recently Issued Accounting Pronouncements

For a discussion of recently issued accounting pronouncements, see Note 2, *Summary of Significant Accounting Policies*, in the accompanying notes to these consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity and Food Price Risks

We expect our full year commodity inflation to be approximately zero to 1.5%.

Except as described above, there have been no material changes to our exposure to market risks as disclosed in the 2025 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures, as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Disclosure controls and procedures are also designed to ensure that information allowing for timely disclosure decisions is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, as appropriate.

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 28, 2026, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 28, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are involved in various claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of any of these actions, individually or taken in the aggregate, will have a material adverse effect on our financial position, results of operations, liquidity or capital resources. A significant increase in the number of claims or an increase in amounts owing under successful claims could materially adversely affect our business, financial condition, results of operations and cash flows. See Note 12, *Commitments and Contingencies*, in the accompanying notes to the consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information discussed in this Form 10-Q, please consider the factors described in Part I, Item 1A., “Risk Factors” in our 2025 Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or results of operations.

There have been no material changes to the risk factors disclosed in our 2025 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements:

During the fiscal quarter ended June 28, 2026, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

The exhibits listed in the Exhibits index to this Form 10-Q are incorporated herein by reference.

Exhibit No.	Description	FILINGS REFERENCED FOR INCORPORATION BY REFERENCE
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The financial information from First Watch Restaurant Group, Inc.'s Quarterly Report on Form 10-Q for the second fiscal quarter ended June 28, 2026, filed on August 4, 2026, formatted in Inline Extensible Business Reporting Language ("iXBRL")	Filed herewith
104	Cover Page Interactive Date File (formatted as iXBRL and contained in Exhibit 101)	Filed herewith

* This certification is not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 4, 2026.

FIRST WATCH RESTAURANT GROUP, INC.

By:	/s/ Christopher A. Tomasso
Name:	Christopher A. Tomasso
Title:	President, Chief Executive Officer and Director (Principal Executive Officer)
By:	/s/ Ashlee Weisser
Name	Ashlee Weisser
Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher A. Tomasso, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Watch Restaurant Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ Christopher A. Tomasso
Christopher A. Tomasso
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ashlee Weisser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Watch Restaurant Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2026

/s/ Ashlee Weisser
Ashlee Weisser
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of First Watch Restaurant Group, Inc. (the "Company") for the period ended June 28, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher A. Tomasso, Chief Executive Officer of the Company, and Ashlee Weisser, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2026

/s/ Christopher A. Tomasso

Christopher A. Tomasso
Chief Executive Officer
(Principal Executive Officer)

/s/ Ashlee Weisser

Ashlee Weisser
Chief Financial Officer
(Principal Financial Officer)