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 March 27, 2022

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
THE DAYTIME CAFE

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

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 59,048,446 shares of common stock as of May 6, 2022.

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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 ("PSLRA"), which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to any historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "potential," "project," "projection," "plan," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. You should evaluate all forward-looking statements made in this Form 10-Q in the context of the risks and uncertainties disclosed herein, including under Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II. Item 1A. "Risk Factors", and in our Annual Report on Form 10-K as of and for the year ended December 26, 2021 ("2021 Form 10-K"), including under Part I. Item 1A. "Risk Factors" and Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." The forward-looking statements included in this Form 10-Q are made only as of the date hereof and are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years and the associated quarters, months and periods of those fiscal years.

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)

	MARCH 27, 2022	DECEMBER 26, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 46,521	$ 51,864
Restricted cash	251	251
Accounts receivable	3,027	4,450
Inventory	3,726	4,023
Prepaid expenses	6,316	5,677
Other current assets	1,410	1,432
Total current assets	61,251	67,697
Goodwill	345,219	345,219
Intangible assets, net	142,859	143,000
Operating lease right-of-use assets	331,109	324,995
Property, fixtures and equipment, net of accumulated depreciation of $123,285 and $115,582, respectively	167,578	164,695
Other long-term assets	1,320	1,311
Total assets	$ 1,049,336	$ 1,046,917
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 7,965	$ 11,060
Accrued liabilities	17,535	15,889
Accrued compensation and deferred payroll taxes	11,966	21,196
Deferred revenues	3,002	4,654
Current portion of operating lease liabilities	37,689	38,186
Current portion of long-term debt	3,783	3,186
Note payable	1,307	2,352
Total current liabilities	83,247	96,523
Operating lease liabilities	338,460	330,495
Long-term debt, net	98,453	99,753
Deferred income taxes	14,535	12,489
Other long-term liabilities	3,278	3,228
Total liabilities	537,973	542,488
Commitments and contingencies (Note 9)		
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; 59,048,446 shares issued and outstanding	590	590
Additional paid-in capital	611,172	608,878
Accumulated deficit	(100,399)	(105,039)
Total equity	511,363	504,429
Total liabilities and equity	$ 1,049,336	$ 1,046,917

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

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

	THIRTEEN WEEKS ENDED	
	MARCH 27, 2022	MARCH 28, 2021
Revenues:		
Restaurant sales	$ 170,669	$ 125,366
Franchise revenues	2,443	1,803
Total revenues	173,112	127,169
Operating costs and expenses:		
Restaurant operating expenses (exclusive of depreciation and amortization shown below):		
Food and beverage costs	39,403	26,916
Labor and other related expenses	55,142	40,049
Other restaurant operating expenses	27,317	22,020
Occupancy expenses	14,383	13,301
Pre-opening expenses	985	1,164
General and administrative expenses	19,563	11,953
Depreciation and amortization	8,223	7,786
Impairments and loss on disposal of assets	79	124
Transaction expenses, net	257	11
Total operating costs and expenses	165,352	123,324
Income from operations	7,760	3,845
Interest expense	(1,006)	(6,316)
Other income, net	163	254
Income (Loss) before income taxes	6,917	(2,217)
Income tax (expense) benefit	(2,277)	175
Net income (loss) and total comprehensive income (loss)	$ 4,640	$ (2,042)
Net income (loss) per common share - basic	$ 0.08	$ (0.05)
Net income (loss) per common share - diluted	$ 0.08	$ (0.05)
Weighted average number of common shares outstanding - basic	59,048,446	45,013,784
Weighted average number of common shares outstanding - diluted	59,983,150	45,013,784

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	Total Equity
	Shares	Amount			
Balance at December 26, 2021	59,048,446	$ 590	$ 608,878	$ (105,039)	$ 504,429
Net income	—	—	—	4,640	4,640
Stock-based compensation	—	—	2,294	—	2,294
Balance at March 27, 2022	59,048,446	$ 590	$ 611,172	$ (100,399)	$ 511,363

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount			
Balance at December 27, 2020	266,667	$ 3	45,013,784	$ 450	$ 423,345	$ (102,932)	$ 320,866
Net loss	—	—	—	—	—	(2,042)	(2,042)
Stock-based compensation	—	—	—	—	129	—	129
Balance at March 28, 2021	266,667	$ 3	45,013,784	$ 450	$ 423,474	$ (104,974)	$ 318,953

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)

	THIRTEEN WEEKS ENDED	
	MARCH 27, 2022	MARCH 28, 2021
Cash flows from operating activities:		
Net income (loss)	$ 4,640	$ (2,042)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,223	7,786
Stock-based compensation	2,294	129
Non-cash operating lease costs	3,836	3,066
Deferred income taxes	2,046	(193)
Amortization of debt discount and deferred issuance costs	112	320
Impairments and loss on disposal of assets	79	124
Changes in assets and liabilities:		
Accounts receivable	1,423	1,183
Inventory	297	121
Prepaid expenses	(639)	(1,295)
Other assets, current and long-term	13	32
Accounts payable	(3,095)	176
Accrued liabilities	2,074	2,638
Accrued compensation and deferred payroll taxes, current and long-term	(9,230)	(2,013)
Deferred revenues, current and long-term	(1,602)	(1,339)
Operating lease liabilities	(2,482)	(2,864)
Net cash provided by operating activities	7,989	5,829
Cash flows from investing activities:		
Capital expenditures	(11,357)	(10,509)
Purchase of intangible assets	(101)	(84)
Net cash used in investing activities	(11,458)	(10,593)
Cash flows from financing activities:		
Repayments of note payable	(1,045)	—
Repayments of long-term debt, including finance lease liabilities	(751)	(852)
Contingent consideration payment	(78)	—
Net cash used in financing activities	(1,874)	(852)
Net decrease in cash and cash equivalents and restricted cash	(5,343)	(5,616)
Cash and cash equivalents and restricted cash:		
Beginning of period	52,115	39,097
End of period	$ 46,772	$ 33,481
Supplemental cash flow information:		
Cash paid for interest	$ 952	$ 4,956
Cash paid for income taxes, net of refunds	$ —	$ (70)

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)

	THIRTEEN WEEKS ENDED	
	MARCH 27, 2022	MARCH 28, 2021
Supplemental disclosures of non-cash investing and financing activities:		
Interest converted to long-term debt	$ —	$ 1,104
Leased assets obtained in exchange for new operating lease liabilities	$ 10,330	$ 5,158
Leased assets obtained in exchange for new finance lease liabilities	$ 27	$ 93
Remeasurements of operating lease assets and lease liabilities	$ (380)	$ (750)
Remeasurements of finance lease assets and lease liabilities	$ (91)	$ —
Change in liabilities from acquisition of property, fixtures and equipment	$ (350)	$ (93)

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

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 28 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 March 27, 2022 and December 26, 2021, the Company operated 346 company-owned restaurants and 341 company-owned restaurants, respectively, and had 95 franchise-owned restaurants and 94 franchise-owned restaurants, respectively.

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 Company's fiscal quarters are comprised of 13 weeks each, except for fiscal years consisting of 53 weeks for which the fourth quarter will consist of 14 weeks, and end on the 13th Sunday of each quarter (14th Sunday of the fourth quarter, when applicable). The quarters ended March 27, 2022 and March 28, 2021 were both 13-week periods. These unaudited interim consolidated financial statements 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 26, 2021 ("2021 Form 10-K").

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and notes required by GAAP for complete financial statements. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included in the 2021 Form 10-K and include all adjustments necessary for the fair statement of the consolidated financial statements for the interim periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for other interim periods or the entire fiscal year.

Use of Estimates

The preparation of the unaudited interim consolidated financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates and such differences could be material.

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, note payable and other current liabilities, approximate their fair values due to their short-term maturities. At March 27, 2022, the carrying amount of the Company's outstanding debt under the new facilities pursuant to the new credit agreement executed in October 2021 approximated its fair value.

Summary of Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*," ("ASU 2020-04"). The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 was effective beginning March 12, 2020 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. Management is currently evaluating its contracts and the optional expedients provided by the new standard.

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

3. Revenues

The following tables include a detail of liabilities from contracts with customers:

(in thousands)	MARCH 27, 2022	DECEMBER 26, 2021
Deferred revenues:		
Deferred gift card revenue	$ 2,752	$ 4,410
Deferred franchise fee revenue - current	250	244
Total current deferred revenues	$ 3,002	$ 4,654
Other long-term liabilities:		
Deferred franchise fee revenue - non-current	$ 2,342	$ 2,292

Changes in deferred gift card contract liabilities were as follows:

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Deferred gift card revenue:		
Balance, beginning of period	$ 4,410	$ 4,024
Gift card sales	1,216	932
Gift card redemptions	(2,590)	(2,073)
Gift card breakage	(284)	(213)
Balance, end of period	$ 2,752	$ 2,670

Changes in deferred franchise fee contract liabilities were as follows:

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Deferred franchise fee revenue:		
Balance, beginning of period	$ 2,536	$ 2,274
Cash received	120	82
Franchise revenues recognized	(64)	(68)
Balance, end of period	$ 2,592	$ 2,288

Revenues recognized disaggregated by type were as follows:

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Restaurant sales:		
In-restaurant dining sales	$ 132,892	$ 87,131
Third-party delivery sales	21,026	20,754
Take-out sales	16,751	17,481
Total restaurant sales	$ 170,669	$ 125,366
Franchise revenues:		
Royalty and system fund contributions	$ 2,379	$ 1,735
Initial fees	64	68
Total franchise revenues	$ 2,443	$ 1,803
Total revenues	$ 173,112	$ 127,169

4. Accounts Receivable

Accounts receivable consisted of the following:

(in thousands)	MARCH 27, 2022	DECEMBER 26, 2021
Receivables from third-party delivery providers	$ 1,260	$ 1,021
Receivables from franchisees	1,033	927
Rebate receivables	334	428
Receivables related to gift card sales	337	1,453
Other receivables	63	621
Total accounts receivable	$ 3,027	$ 4,450

5. Accrued Liabilities

Accrued liabilities consisted of the following:

(in thousands)	MARCH 27, 2022	DECEMBER 26, 2021
Construction liabilities	$ 4,095	$ 4,445
Sales tax	4,000	3,337
Self-insurance and general liability reserves	1,611	1,353
Utilities	1,188	1,306
Credit card fees	1,069	940
Property tax	699	638
Contingent rent	654	628
Common area maintenance	514	482
Other	3,705	2,760
Total accrued liabilities	$ 17,535	$ 15,889

6. Leases

The following table includes a detail of lease assets and liabilities:

(in thousands)	Consolidated Balance Sheets Classification	MARCH 27, 2022	DECEMBER 26, 2021
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 331,109	$ 324,995
Finance lease assets	Property, fixtures and equipment, net	1,707	1,892
Total lease assets		$ 332,816	$ 326,887
Operating lease liabilities [1] - current	Current portion of operating lease liabilities	37,689	38,186
Operating lease liabilities - non-current	Operating lease liabilities	338,460	330,495
Finance lease liabilities - current	Current portion of long-term debt	658	686
Finance lease liabilities - non-current	Long-term debt, net	1,169	1,331
Total lease liabilities		$ 377,976	$ 370,698

(1) Excludes all variable lease expense.

The components of lease expense are as follows:

(in thousands)	**Consolidated Statements of Operations and Comprehensive Income (Loss) Classification**	**THIRTEEN WEEKS ENDED MARCH 27, 2022**	**THIRTEEN WEEKS ENDED MARCH 28, 2021**
Operating lease expense	Other restaurant operating expenses Occupancy expenses Pre-opening expenses General and administrative expenses	$ 12,046	$ 10,852
Variable lease expense	Food and beverage costs Occupancy expenses General and administrative expenses	3,399	2,946
Finance lease expense:			
Amortization of leased assets	Depreciation and amortization	135	131
Interest on lease liabilities	Interest expense	37	46
Total lease expense (1)		$ 15,617	$ 13,975

(1) Includes contingent rent of $0.4 million and $0.1 million during the thirteen weeks ended March 27, 2022 and March 28, 2021, respectively.

Supplemental cash flow information related to leases was as follows:

(in thousands)	**THIRTEEN WEEKS ENDED MARCH 27, 2022**	**THIRTEEN WEEKS ENDED MARCH 28, 2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	$ 10,630	$ 10,637
Operating cash flows - finance leases	$ 37	$ 46
Financing cash flows - finance leases	$ 126	$ 116

Supplemental information related to leases was as follows:

	THIRTEEN WEEKS ENDED MARCH 27, 2022	**THIRTEEN WEEKS ENDED MARCH 28, 2021**
Weighted-average remaining lease term (in years)		
Operating leases	15.2	16.1
Finance leases	3.3	4.2
Weighted-average discount rate (1)		
Operating leases	8.9 %	9.1 %
Finance leases	7.8 %	8.0 %

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

As of March 27, 2022, future minimum lease payments for operating and finance leases consisted of the following:

(in thousands)	**Operating Leases**	**Finance Leases**
Fiscal year		
2022	$ 29,861	$ 523
2023	43,628	642
2024	46,036	642
2025	46,119	218
2026	46,019	28
Thereafter	502,974	20
Total future minimum lease payments (1)	714,637	2,073
Less: imputed interest	(338,488)	(246)
Total present value of lease liabilities	$ 376,149	$ 1,827

(1) Excludes approximately $48.0 million of executed operating leases that have not commenced as of March 27, 2022.

7. Stock-Based Compensation

Stock-based awards are granted to employees and non-employee directors. The Company has two compensation plans that provide for the granting of stock options and other share-based awards to key employees and non-employee members of the board of directors. The 2017 Omnibus Equity Incentive Plan (the "2017 Equity Plan") and the 2021 Equity Incentive Plan (the "2021 Equity Plan") provide for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units, stock appreciation rights and stock-based awards. No awards were granted under the 2017 Equity Plan during the thirteen weeks ended March 27, 2022 and the Company does not intend to grant any further awards under the 2017 Equity Plan. A total of 999,277 time-based stock option awards were granted under the 2021 Equity Plan during the thirteen weeks ended March 27, 2022 which vest over a three-year requisite service period from the date of grant and expire 10 years after the grant date. At March 27, 2022, a total of 3,034,795 common shares were available to grant under the 2021 Equity Plan.

Stock option Activity

A summary of stock option activity for the Company's stock-based compensation plans during the thirteen weeks ended March 27, 2022 is as follows:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value *(in thousands)*
Outstanding, December 26, 2021	4,409,331	$ 9.48	$ 28,598
Granted	999,277	$ 12.58	
Forfeited	(34,660)	$ 12.68	
Outstanding, March 27, 2022	5,373,948	$ 10.04	$ 13,979
Exercisable, March 27, 2022	1,798,387	$ 9.01	$ 6,497

A summary of the non-vested stock options for the Company's stock-based compensation plans is as follows:

	Number of Options	Weighted-Average Grant Date Fair Value
Nonvested, December 26, 2021	2,633,391	$ 7.03
Granted	999,277	$ 6.76
Vested	(22,447)	$ 3.13
Forfeited	(34,660)	$ 6.38
Nonvested, March 27, 2022	3,575,561	$ 6.99

Fair value of Stock Options

The fair value of stock option awards is estimated on the date of grant using the Black-Scholes valuation model. The assumptions utilized to estimate the grant-date fair value of the stock option awards granted during the thirteen weeks ended March 27, 2022 were as follows:

Expected term (years)	6.5
Expected volatility	52.4 %
Risk-free interest rate	2.6 %
Expected dividend yield	—

The Company does not have sufficient historical stock option exercise activity and therefore Management estimated the expected term of stock options granted using the simplified method, which represents the mid-point between the vesting period and the contractual term for each grant. The expected volatility of stock options is based on the historical volatilities of a set of publicly traded peer companies in a similar industry. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the expected term of the stock option award. The expected dividend yield is based on the fact that the Company has never paid cash dividends and does not have intentions of paying dividends in the foreseeable future.

Stock-based compensation expense was $2.3 million and $0.1 million for the thirteen weeks ended March 27, 2022 and March 28, 2021, respectively.

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.

Unrecognized stock-based compensation expense

As of March 27, 2022, the amount of stock-based compensation expense not yet recognized was approximately $17.6 million and will be recognized over a weighted-average period of approximately 1.6 years.

8. Income Taxes

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Income (Loss) before income taxes	$ 6,917	$ (2,217)
Income tax (expense) benefit	$ (2,277)	$ 175
Effective income tax rate	32.9 %	7.9 %

The effective income tax rate for the thirteen weeks ended March 27, 2022 was 32.9% as compared to 7.9% for the thirteen weeks ended March 28, 2021. The change in the effective income tax rates was primarily due to (i) forecasted 2022 pre-tax book income as compared to forecasted 2021 pre-tax book loss, (ii) the change in the valuation allowance for federal and state deferred tax assets and (iii) limitations on deductions of certain compensation.

The Company has a blended federal and state statutory rate of approximately 25.0%. The effective income tax rates for the thirteen weeks ended March 27, 2022 and March 28, 2021 were different than the blended federal and state statutory rate primarily due to (i) the benefit of tax credits for FICA taxes on certain employees' tips, (ii) the change in the valuation allowance for federal and state deferred tax assets and (iii) limitations on deductions of certain compensation.

9. 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 ultimate liability with respect to these matters was not material as of March 27, 2022. In the event any litigation losses become probable and estimable, the Company will recognize any anticipated losses.

Unclaimed Property

The Company is subject to unclaimed or abandoned property (escheat) laws which require it to turn over to state governmental authorities the property of others held by the Company that has been unclaimed for specified periods of time. Property subject to escheat laws generally relates to uncashed checks, trade accounts receivable credits and unredeemed gift card balances. During the first quarter of 2022, the Company received a letter from the Delaware Secretary of State inviting the Company to participate in the Delaware Secretary of State's Abandoned or Unclaimed Property Voluntary Disclosure Agreement Program to avoid being sent an audit notice by the Delaware Department of Finance. On April 22, 2022, the Company entered into Delaware's Voluntary Disclosure Agreement Program in order to voluntarily comply with Delaware's abandoned property law in exchange for certain protections and benefits. The Company intends to work in good faith to complete a review of its books and records related to unclaimed or abandoned property during the periods required under the program. The Company will continue to examine its options regarding the escheat laws of Delaware including completing Delaware's Voluntary Disclosure Agreement Program or proceeding to audit. Any potential loss, or range of loss, that may result from this matter is not currently reasonably estimable.

10. 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	
(in thousands, except share and per share data)	MARCH 27, 2022	MARCH 28, 2021
Numerator:		
Net income (loss)	$ 4,640	$ (2,042)
Denominator:		
Weighted average common shares outstanding - basic	59,048,446	45,013,784
Weighted average common shares outstanding - diluted	59,983,150	45,013,784
Net income (loss) per common share - basic	$ 0.08	$ (0.05)
Net income (loss) per common share - diluted	$ 0.08	$ (0.05)
Option awards outstanding not included in diluted net income (loss) per common share as their effect is anti-dilutive	2,150,374	2,645,613

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 option awards outstanding and unvested as of the respective periods using the treasury method.

During the thirteen weeks ended March 28, 2021, all preferred shares and all stock option awards were excluded from the calculation of diluted net loss per common share because of their anti-dilutive impact. The performance-based stock option awards were excluded from the diluted net loss per common share calculation as the performance condition was not considered probable of being met.

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 as of and for the fiscal year ended December 26, 2021 and notes included in our 2021 Form 10-K. As discussed in "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 below and those discussed in "Risk Factors" under Part II, Item 1A in this Form 10-Q and in our 2021 Form 10-K, including under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

First Watch is an award-winning Daytime Dining concept serving made-to-order breakfast, brunch and lunch using fresh ingredients. A recipient of hundreds of local "Best Breakfast" and "Best Brunch" accolades, First Watch's award winning chef-driven menu includes elevated executions of classic favorites for breakfast, brunch and lunch. In March 2022, First Watch was awarded ADP's prestigious Culture at Work award. The Company is majority owned by Advent International Corporation, one of the world's largest private-equity firms. On October 1, 2021, the Company's common stock began trading on Nasdaq under the ticker symbol "FWRG."

The Company does not operate outside of the United States. The Company operates and franchises restaurants in 28 states under the "First Watch" trade name and as of March 27, 2022, the Company had 346 company-owned restaurants and 95 franchise-owned restaurants.

Recent Developments

Financial highlights for the thirteen weeks ended March 27, 2022 ("first quarter of 2022") as compared to the thirteen weeks ended March 28, 2021 ("first quarter of 2021") reflect the continued momentum of our strong operating performance and include the following:

- Total revenues increased 36.1% to $173.1 million in the first quarter of 2022 from $127.2 million in the first quarter of 2021
- System-wide sales increased 35.6% to $214.1 million in the first quarter of 2022 from $158.0 million in the first quarter of 2021
- Same-restaurant sales growth of 27.2% (26.1% relative to the first quarter of 2019*)
- Same-restaurant traffic growth of 21.9% (3.4% relative to the first quarter of 2019*)
- Income from operations margin of 4.5% during the first quarter of 2022 compared to 3.1% in the first quarter of 2021
- Restaurant level operating profit margin** increased to 19.6% in the first quarter of 2022 from 17.5% in the first quarter of 2021
- Net income of $4.6 million, or $0.08 per diluted share, in the first quarter of 2022 compared to Net loss of $(2.0) million, or $(0.05) per diluted share, in the first quarter of 2021
- Adjusted EBITDA** increased to $19.4 million in the first quarter of 2022 from $13.0 million in the first quarter of 2021
- Opened 7 system-wide restaurants in 5 states resulting in a total of 441 system-wide restaurants (346 company-owned and 95 franchise-owned) across 28 states

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

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

Key Performance Indicators

Throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" we commonly discuss the following key operating metrics which 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 weeks ended March 27, 2022 and March 28, 2021, there were 305 restaurants and 270 restaurants in our Comparable Restaurant Base, respectively. 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 traffic counts as compared to the same period in the prior year 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 an increase in 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.

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 accounting principles generally accepted in the United States of America ("GAAP"), to Adjusted EBITDA, included in the section *Non-GAAP Financial Measures* below.

Adjusted EBITDA Margin: represents Adjusted EBITDA as a percentage of total revenues. See *Non-GAAP Financial Measures* below for a reconciliation to 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 Measures* below.

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

Selected Operating Data

	THIRTEEN WEEKS ENDED	
	MARCH 27, 2022	MARCH 28, 2021
System-wide sales (in thousands)	$ 214,121	$ 157,964
System-wide restaurants	441	415
Company-owned	346	328
Franchise-owned	95	87
Same-restaurant sales growth	27.2 %	14.1 %
Same-restaurant traffic growth	21.9 %	2.2 %
Income from operations (in thousands)	$ 7,760	$ 3,845
Income from operations margin	4.5 %	3.1 %
Restaurant level operating profit (in thousands) (1)	$ 33,439	$ 21,924
Restaurant level operating profit margin (1)	19.6 %	17.5 %
Net income (loss) (in thousands)	$ 4,640	$ (2,042)
Net income (loss) margin	2.7 %	(1.6)%
Adjusted EBITDA (in thousands) (2)	$ 19,364	$ 12,982
Adjusted EBITDA margin (2)	11.2 %	10.2 %

(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, are set forth in the schedules within the *Non-GAAP Financial Measures* 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, are set forth in the schedules within the *Non-GAAP Financial Measures* section below.

Same-Restaurant Sales Growth and Same-Restaurant Traffic Growth

Thirteen Weeks Ended	Same-Restaurant Sales Growth	Same-Restaurant Traffic Growth	Comparable Restaurant Base
March 27, 2022	27.2 %	21.9 %	305
March 28, 2021	14.1 %	2.2 %	270
March 29, 2020	(10.7)%	(14.2)%	212
March 31, 2019	6.3 %	3.0 %	168

Results of Operations

Thirteen Weeks Ended March 27, 2022 Compared to Thirteen Weeks Ended March 28, 2021

The following table summarizes our results of operations and the percentages of certain items in relation to Total revenues or Restaurant sales for the thirteen weeks ended March 27, 2022 and March 28, 2021:

	THIRTEEN WEEKS ENDED			
(in thousands)	MARCH 27, 2022		MARCH 28, 2021	
Revenues				
Restaurant sales	$ 170,669	98.6 %	$ 125,366	98.6 %
Franchise revenues	2,443	1.4 %	1,803	1.4 %
Total revenues	$ 173,112	100.0 %	$ 127,169	100.0 %
Operating costs and expenses				
Restaurant operating expenses [(1)] (exclusive of depreciation and amortization shown below):				
Food and beverage costs	39,403	23.1 %	26,916	21.5 %
Labor and other related expenses	55,142	32.3 %	40,049	31.9 %
Other restaurant operating expenses	27,317	16.0 %	22,020	17.6 %
Occupancy expenses	14,383	8.4 %	13,301	10.6 %
Pre-opening expenses	985	0.6 %	1,164	0.9 %
General and administrative expenses	19,563	11.3 %	11,953	9.4 %
Depreciation and amortization	8,223	4.8 %	7,786	6.1 %
Impairments and loss on disposal of assets	79	— %	124	0.1 %
Transaction expenses, net	257	0.1 %	11	— %
Total operating costs and expenses	165,352	95.5 %	123,324	97.0 %
Income from operations [(1)]	7,760	4.5 %	3,845	3.1 %
Interest expense	(1,006)	(0.6)%	(6,316)	(5.0)%
Other income, net	163	0.1 %	254	0.2 %
Income (Loss) before income taxes	6,917	4.0 %	(2,217)	(1.7)%
Income tax (expense) benefit	(2,277)	(1.3)%	175	0.1 %
Net income (loss) and total comprehensive income (loss)	$ 4,640	2.7 %	$ (2,042)	(1.6)%

(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 driven by our menu price increases and changes to our menu mix.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Restaurant sales:			
In-restaurant dining sales	$ 132,892	$ 87,131	52.5 %
Third-party delivery sales	21,026	20,754	1.3 %
Take-out sales	16,751	17,481	(4.2)%
Total Restaurant sales	$ 170,669	$ 125,366	36.1 %

The increase in total restaurant sales during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to (i) $44.3 million of higher restaurant sales from the Comparable Restaurant Base, driven by same-restaurant traffic growth of 21.9%, menu price increases and sustained off-premises sales, (ii) 20 NROs that have opened since March 28, 2021 and (iii) certain dining room restrictions imposed pursuant to state and local government mandates during the thirteen weeks ended March 28, 2021 in response to COVID-19.

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		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Franchise revenues:			
Royalty and system fund contributions	$ 2,379	$ 1,735	37.1 %
Initial fees	64	68	(5.9)%
Total Franchise revenues	$ 2,443	$ 1,803	35.5 %

The increase in franchise revenues during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily driven by the increase in sales from franchise-owned restaurants.

Food and Beverage Costs

The components of food and beverage costs at company-owned restaurants are variable by nature, change with sales volume, are impacted by product mix and are subject to increases or decreases in commodity costs.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Food and beverage costs	$ 39,403	$ 26,916	46.4 %
As a percentage of restaurant sales	23.1 %	21.5 %	1.6 %

Food and beverage costs as a percent of restaurant sales increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year primarily due to (i) higher prices for pork and avocados, partially offset by (ii) menu price increases.

Food and beverage costs increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year primarily as a result of (i) the increase in restaurant sales and (ii) higher prices across the market basket due to cost increases in certain commodities.

Management currently expects a continuation of cost pressures in our market basket for the balance of the year, with inflation of 10.0% to 13.0%, as well as increases in fuel surcharges associated with our deliveries.

Labor and Other Related Expenses

Labor and other related expenses are variable by nature and 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 increased competition for qualified staff.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Labor and other related expenses	$ 55,142	$ 40,049	37.7 %
As a percentage of restaurant sales	32.3 %	31.9 %	0.4 %

Labor and other related expenses as a percentage of restaurant sales increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year primarily as a result of (i) the increase in wages and staffing levels, partially offset by (ii) greater sales leverage driven by the increase in restaurant sales and (iii) rebates from our group health plan.

The increase in labor and other related expenses during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to (i) an increase in wages and staffing levels and (ii) 20 NROs that have opened since March 28, 2021, partially offset by (iii) rebates from our group health plan.

Labor and other related expenses have continued to experience volatility associated with the tight labor pools in the markets in which the Company operates and the dining room traffic recovery trends which have responded to the occurrences of new COVID-19 variants.

Other Restaurant Operating Expenses

Other restaurant operating expenses consist of marketing and advertising expenses, utilities, insurance and other operating 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		
(in thousands)	**MARCH 27, 2022**	**MARCH 28, 2021**	**Change**
Other restaurant operating expenses	$ 27,317	$ 22,020	24.1 %
As a percentage of restaurant sales	16.0 %	17.6 %	(1.6)%

Other restaurant operating expenses as a percentage of restaurant sales during the thirteen weeks ended March 27, 2022 was lower than the same period in the prior year primarily due to leveraging in-restaurant dining sales.

The increase in other restaurant operating expenses during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was mainly due to (i) an additional $2.3 million in operating supplies expense primarily driven by higher prices and the increase in restaurant sales, as well as (ii) an increase in credit card fees, utilities, repairs and maintenance and insurance expense primarily driven by the increase in restaurant sales.

As a percentage of sales, other restaurant operating expenses are expected to trend higher than prior to COVID-19 due principally to the additional cost of to-go supplies associated with off-premises sales.

Occupancy Expenses

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

	THIRTEEN WEEKS ENDED		
(in thousands)	**MARCH 27, 2022**	**MARCH 28, 2021**	**Change**
Occupancy expenses	$ 14,383	$ 13,301	8.1 %
As a percentage of restaurant sales	8.4 %	10.6 %	(2.2)%

As a percentage of restaurant sales, the decrease in occupancy expenses for the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to sales leverage driven by the increase in restaurant sales.

The increase in occupancy expenses during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to the increase in the number of company-owned restaurants and the number of leases that had commenced.

Pre-opening Expenses

Pre-opening expenses are costs incurred to open new company-owned restaurants. Pre-opening expenses include pre-opening rent expense, which is recognized during the period between the date of possession of the restaurant facility and the restaurant opening date. In addition, pre-opening expenses include manager salaries, recruiting expenses, employee payroll and training costs, which are recognized in the period in which the expense was incurred. Pre-opening expenses can fluctuate from period to period, based on the number and timing of new company-owned restaurant openings.

	THIRTEEN WEEKS ENDED		
(in thousands)	**MARCH 27, 2022**	**MARCH 28, 2021**	**Change**
Pre-opening expenses	$ 985	$ 1,164	(15.4)%

The decrease in pre-opening expenses during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due a lower number of NROs opened, as well as those expected to open, during the current period compared to the same period in the prior year.

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 and stock-based compensation. General and administrative expenses are impacted by changes in our employee headcount and costs related to strategic and growth initiatives. In preparation for and after the consummation of the Company's initial public offering ("IPO") in October 2021, we have incurred and we expect to incur in the future significant additional legal, accounting and other expenses associated with being a public company, including costs associated with our compliance with the Sarbanes-Oxley Act.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
General and administrative expenses	$ 19,563	$ 11,953	63.7 %

The increase in general and administrative expenses during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was mainly due to (i) $2.2 million of stock-based compensation expense from certain stock option awards that converted into time-based stock option awards upon the Company's IPO, (ii) the increase of $1.3 million in compensation expense from wage increases and additional employee headcount to support growth, (iii) the additional $1.0 million in marketing spend, (iv) the increase of $1.0 million related to insurance expense and (v) the additional $0.6 million related to legal and accounting fees associated with being a public company.

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. Franchise rights includes rights which arose from the purchase price allocation in connection with the merger agreement through which the Company was acquired by funds affiliated with or managed by Advent International Corporation in August 2017 as well as reacquired rights from our acquisitions of franchise-owned restaurants.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Depreciation and amortization	$ 8,223	$ 7,786	5.6 %

The increase in depreciation and amortization during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to incremental depreciation of capital expenditures associated with NROs.

Impairments and Loss on Disposal of Assets

Impairments and loss on disposal of assets include (i) the impairment of long-lived assets and intangible assets where the carrying amount of the asset is not recoverable and exceeds the fair value of the asset, (ii) the write-off of the net book value of assets that have been retired or replaced in the normal course of business and (iii) the write-off of the net book value of assets in connection with restaurant closures.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Impairments and loss on disposal of assets	$ 79	$ 124	(36.3)%

There were no impairment losses recognized on intangible assets or fixed assets during the thirteen weeks ended March 27, 2022 and March 28, 2021. Loss on disposal of assets recognized during the periods indicated were related to retirements, replacements and disposals of fixed assets.

Transaction Expenses, Net

Transaction expenses, net include (i) revaluations of contingent consideration payable to previous stockholders for tax savings generated through the use of federal and state loss carryforwards and general business credits that had been accumulated from operations prior to August 2017, (ii) gains or losses associated with lease terminations, (iii) costs incurred in connection with the acquisition of franchise-owned restaurants, (iv) costs incurred in connection with the conversion of certain restaurants to company-owned restaurants operating under the First Watch trade name and (v) costs related to restaurant closures.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Transaction expenses, net	$ 257	$ 11	n/m [1]

Not meaningful.

Transaction expenses, net primarily includes a termination fee in connection with the closure of one company-owned restaurant during the thirteen weeks ended March 27, 2022.

Income from Operations

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Income from operations	$ 7,760	$ 3,845	101.8 %
As a percentage of restaurant sales	4.5 %	3.1 %	1.4 %

Income from operations margin increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year primarily due to (i) leveraging restaurant sales, (ii) menu price increases and (iii) rebates from our group health plan, partially offset by (iv) higher prices for pork and avocados, (v) the increase in restaurant-level wages and staffing and (vi) the increase in general and administrative expenses mainly due to additional stock-based compensation expense and insurance expense.

Income from operations increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year mainly due to (i) the increase in total revenues, partially offset by (ii) the increase in operating costs and expenses driven by our restaurant growth, higher prices for certain commodities and supplies, as well as the increase in wages and staffing levels, in addition to (iii) the increase in general and administrative expenses mainly due to additional stock-based compensation expense, wage increases and additional employee headcount.

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		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Interest expense	$ 1,006	$ 6,316	(84.1)%

The decrease in interest expense during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to lower outstanding debt and reduced interest rates from the new term loan A facility (“the New Term Facility”) pursuant to our new credit agreement executed in October 2021, (the “ New Credit Agreement”).

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		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Other income, net	$ 163	$ 254	(35.8)%

Income Tax (Expense) Benefit

Income tax (expense) benefit primarily consists of various federal and state taxes.

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Income tax (expense) benefit	$ (2,277)	$ 175	n/m [(1)]

(1) Not meaningful.

The effective income tax rate for the thirteen weeks ended March 27, 2022 was 32.9% as compared to 7.9% for the thirteen weeks ended March 28, 2021. The change in the effective income tax rates was primarily due to (i) forecasted 2022
pre-tax book income as compared to forecasted 2021 pre-tax book loss, (ii) the change in the valuation allowance for federal and state deferred tax assets and (iii) limitations on deductions of certain compensation.

The Company has a blended federal and state statutory rate of approximately 25.0%. The effective income tax rates for the thirteen weeks ended March 27, 2022 and March 28, 2021 were different than the blended federal and state statutory rate primarily due to (i) the benefit of tax credits for FICA taxes on certain employees' tips, (ii) the change in the valuation allowance for federal and state deferred tax assets and (iii) limitations on deductions of certain compensation.

Net Income (Loss)

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Net income (loss)	$ 4,640	$ (2,042)	n/m [(1)]
As a percentage of total revenues	2.7 %	(1.6)%	4.3 %

(1) Not meaningful.

Net income margin was 2.7% during the thirteen weeks ended March 27, 2022 as compared to Net loss margin of (1.6)% during the same period in the prior year primarily due to (i) the increase in income from operations and (ii) the reduction in interest expense, partially offset by (iii) income tax expense.

Net income for the thirteen weeks ended March 27, 2022 as compared to Net loss for the thirteen weeks ended March 28, 2021 was primarily due to (i) the increase in income from operations and (ii) the reduction in interest expense, partially offset by (iii) income tax expense.

Restaurant Level Operating Profit and Restaurant level Operating Profit Margin

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Restaurant level operating profit	$ 33,439	$ 21,924	52.5 %
Restaurant level operating profit margin	19.6 %	17.5 %	2.1 %

Restaurant level operating profit margin during the thirteen weeks ended March 27, 2022 increased as compared to the same period in the prior year primarily due to (i) leveraging restaurant sales, (ii) menu price increases and (iii) rebates from our group health plan, partially offset by (iv) higher prices for pork and avocados and (v) the increase in wages and staffing.

Restaurant level operating profit for the thirteen weeks ended March 27, 2022 increased as compared to the same period in the prior year mainly due to (i) the increase in same-restaurant sales growth, driven by same-restaurant traffic growth, menu price increases, and sustained of off-premises sales, (ii) 20 NROs that have opened since March 28, 2021 and (iii) rebates from our group health plan, partially offset by (iv) higher prices for certain commodities and supplies and (iv) the increase in wages.

Adjusted EBITDA and Adjusted EBITDA Margin

	THIRTEEN WEEKS ENDED		
(in thousands)	MARCH 27, 2022	MARCH 28, 2021	Change
Adjusted EBITDA	$ 19,364	$ 12,982	49.2 %
Adjusted EBITDA margin	11.2 %	10.2 %	1.0 %

Adjusted EBITDA margin increased during the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year primarily due to (i) the increase in restaurant level operating profit, partially offset by (ii) the increase in general and administrate expenses mainly due to additional insurance expense.

The increase in Adjusted EBITDA for the thirteen weeks ended March 27, 2022 as compared to the same period in the prior year was primarily due to (i) the increase in restaurant level operating profit, partially offset by (ii) the increase in general and administrative expenses mainly due to wage increases and additional employee headcount.

Non-GAAP Financial Measures

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 for the periods indicated:

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Net income (loss)	$ 4,640	$ (2,042)
Depreciation and amortization	8,223	7,786
Interest expense	1,006	6,316
Income taxes	2,277	(175)
EBITDA	16,146	11,885
IPO-readiness and strategic transition costs (1)	450	479
Stock-based compensation (2)	2,294	129
Recruiting and relocation costs (3)	76	41
Impairments and loss on disposal of assets (4)	79	124
Transaction expenses, net (5)	257	11
COVID-19 related charges (6)	—	48
Severance costs (7)	62	265
Adjusted EBITDA	$ 19,364	$ 12,982
Total revenues	$ 173,112	$ 127,169
Net income (loss) margin	2.7 %	(1.6)%
Adjusted EBITDA margin	11.2 %	10.2 %
Additional information		
Deferred rent expense (income) (8)	$ 580	$ (999)

(1) Represents costs related to the assessment and redesign of our systems and processes. In 2021, the costs also include information technology support and external professional service costs incurred in connection with IPO-readiness efforts. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).
(2) Represents non-cash, stock-based compensation expense which is recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).
(3) Represents costs incurred for hiring qualified individuals as we assessed the redesign of our systems and processes. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).
(4) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.
(5) Represents costs related to restaurant closures.
(6) Represents costs incurred in connection with the economic impact of the COVID-19 pandemic.
(7) Severance costs are recorded in General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).
(8) Represents the non-cash portion of straight-line rent expense recorded within both Occupancy expenses and General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Restaurant level operating profit and Restaurant level operating profit margin - The following table reconciles Income (Loss) from operations and Income (Loss) from operations margin, the most comparable GAAP measures to Restaurant level operating profit and Restaurant level operating profit margin for the periods indicated:

	THIRTEEN WEEKS ENDED	
(in thousands)	MARCH 27, 2022	MARCH 28, 2021
Income from operations	$ 7,760	$ 3,845
Less: Franchise revenues	(2,443)	(1,803)
Add:		
General and administrative expenses	19,563	11,953
Depreciation and amortization	8,223	7,786
Impairments and loss on disposal of assets (1)	79	124
Transaction expenses, net (2)	257	11
COVID-19 related charges (3)	—	8
Restaurant level operating profit	$ 33,439	$ 21,924
Restaurant sales	$ 170,669	$ 125,366
Income from operations margin	4.5 %	3.1 %
Restaurant level operating profit margin	19.6 %	17.5 %
Additional information		
Deferred rent expense (income) (4)	$ 530	$ (938)

(1) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.
(2) Represents costs related to restaurant closures.
(3) Represents costs incurred in connection with the economic impact of the COVID-19 pandemic.
(4) Represents the non-cash portion of straight-line rent expense recorded within Occupancy expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Liquidity and Capital Resources

Liquidity

As of March 27, 2022, we had cash and cash equivalents of $46.5 million and $99.4 million in outstanding borrowings, excluding unamortized debt issuance costs and deferred issuance costs. As of March 27, 2022, we had availability of $75.0 million under our revolving credit facility pursuant to our New 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 requirements for working capital are not significant because our customers pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items.

We believe that our cash flow from operations, availability under our New Credit Agreement and available 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, it will be funded through additional indebtedness, the issuance of equity, or a combination thereof. 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. Although we have no specific current plans to do so, if we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions, which would result in additional expenses or dilution.

We estimate that our capital expenditures will total approximately $60.0 million to $70.0 million in 2022, which will be invested primarily in new restaurant projects, planned remodels and new in-restaurant technology. We plan to fund the capital expenditures primarily with cash generated from our operating activities as well as with borrowings from our new facilities pursuant to our New 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 thirteen weeks ended March 27, 2022 and March 28, 2021:

	THIRTEEN WEEKS ENDED	
(in thousands)	**MARCH 27, 2022**	**MARCH 28, 2021**
Cash provided by operating activities	$ 7,989	$ 5,829
Cash used in investing activities	(11,458)	(10,593)
Cash used in financing activities	(1,874)	(852)
Net decrease in cash and cash equivalents and restricted cash	$ (5,343)	$ (5,616)

Cash provided by operating activities during the thirteen weeks ended March 27, 2022 increased to $8.0 million from $5.8 million during the thirteen weeks ended March 28, 2021 primarily due to (i) the increase in net income of $6.7 million and (ii) the impact of non-cash charges of $5.4 million, partially offset by (iii) a net change in operating assets and liabilities of $(9.9) million. The increase in the non-cash charges was primarily driven by (i) additional stock-based compensation expense resulting from certain stock option awards that converted into time-based stock option awards upon closing of the IPO and (ii) deferred income taxes mainly due to forecasted 2022 pre-tax book income. The net change of $(9.9) million in operating assets and liabilities was a result of (i) higher accrued compensation and (ii) the timing of operational payments.

Cash used in investing activities increased to $11.5 million during the thirteen weeks ended March 27, 2022 from $10.6 million during the thirteen weeks ended March 28, 2021 primarily as a result of the increase in capital expenditures to support our restaurant growth and new restaurant technology.

Cash flows used in financing activities increased to $1.9 million during the thirteen weeks ended March 27, 2022 from $0.9 million during the thirteen weeks ended March 28, 2021 primarily due to repayments made on the note payable.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon the accompanying unaudited interim consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of these unaudited interim 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 Estimates*" in the 2021 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 the unaudited interim consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposure to market risks as disclosed in the 2021 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We are responsible for establishing and maintaining disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-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 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 also include, without limitation, controls and procedures that are designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of 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 Quarterly Report on Form 10-Q. Due to the material weaknesses in our internal control over financial reporting discussed below, which were previously identified and disclosed in connection with our IPO and in our periodic reports filed with the SEC, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 27, 2022, our disclosure controls and procedures were not effective. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Previously Reported Material Weaknesses in Internal Control Over Financial Reporting

We identified material weaknesses in our internal control over financial reporting. The material weaknesses we identified were as follows:

We did not design and maintain an effective internal control environment commensurate with the financial reporting requirements of a public company. Specifically, we lacked a sufficient complement of personnel with an appropriate level of knowledge, experience and training in internal control over financial reporting and the reporting requirements of a public company. Additionally, we did not formally delegate authority or establish appropriate segregation of duties in our finance and accounting functions. As a result, we did not perform an effective risk assessment nor did we design and maintain internal controls in response to the risks of material misstatement. These material weaknesses contributed to the following material weaknesses:

- We did not design and maintain effective controls over the period-end financial reporting process, including controls over the preparation and review of account reconciliations and journal entries, and the appropriate classification and presentation of accounts and disclosures in the consolidated financial statements. This material weakness resulted in adjustments to accruals and within the statement of cash flows in our fiscal 2018 consolidated financial statements, which were recorded prior to the issuance of our fiscal 2018 consolidated financial statements.

- We did not design and maintain effective controls over the accounting for income taxes over the recording of deferred income taxes and the assessment of the realization of deferred tax assets. This material weakness resulted in adjustments to the income tax benefit, deferred taxes, goodwill, and liabilities in our fiscal 2018 consolidated financial statements, which were recorded prior to issuance. This material weakness also resulted in immaterial adjustments to the income tax benefit and deferred taxes and related disclosures in the fiscal 2017 and 2019 consolidated financial statements, which were corrected in the fiscal 2019 and 2020 consolidated financial statements, respectively. This material weakness also resulted in adjustments to the income tax expense and deferred taxes in our fiscal 2021 consolidated financial statements, which were recorded prior to issuance.

- We did not design and maintain effective controls over information technology general controls for information systems and applications that are relevant to the preparation of the consolidated financial statements. Specifically, we did not design and maintain: sufficient user access controls to ensure appropriate segregation of duties and adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; program change management controls to ensure that information technology program and data changes affecting financial information technology applications and underlying accounting records are identified, tested, authorized and implemented appropriately; computer operations controls to ensure that critical batch jobs are monitored, privileges are appropriately granted, and data backups are authorized and monitored; and testing and approval controls for program development to ensure that new software development is aligned with business and information technology requirements. The deficiencies, when aggregated, could impact our ability to maintain effective segregation of duties, as well as the effectiveness of information technology-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the information technology controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Therefore, we concluded the information technology deficiencies resulted in a material weakness. However, these information technology deficiencies did not result in any misstatements to the consolidated financial statements.

Additionally, each of the aforementioned material weaknesses could result in a misstatement of the consolidated financial statements that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Efforts

We have taken certain measures to remediate the material weaknesses described above, including hiring additional personnel, designing and implementing formal procedures and controls supporting the Company's period-end financial reporting process, such as controls over the preparation and review of account reconciliations and disclosures in the consolidated financial statements and designing certain information technology general controls. We are in the process of implementing additional measures designed to enable us to meet the requirements of being a public company, improve our internal control over financial reporting and remediate the control deficiencies that led to the material weaknesses, including hiring additional information technology, finance and accounting personnel, evaluating our financial and information technology control environment and augmenting our internal controls with new accounting policies and procedures, and designing and implementing financial reporting controls, income tax controls, and information technology general controls. At this time, we cannot provide an estimate of costs expected to be incurred in connection with implementing a remediation plan; however, these remediation measures will be time consuming and will place significant demands on our financial and operational resources.

While we believe that the efforts taken to date and those planned for remediation will improve the effectiveness of our internal control over financial reporting, these remediation efforts are ongoing and will require a sufficient period of time to operate for management to be able to conclude that the design is effective to address the risks of material misstatement and that such controls are operating effectively through testing of such controls. We may conclude that additional measures are necessary to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional evaluation and implementation time.

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 currently 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 9, *Commitments and Contingencies*, in the accompanying notes to the unaudited interim consolidated financial statements.

Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., “Risk Factors” in our 2021 Form 10-K which could materially affect our business, financial condition or future results. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in our 2021 Form 10-K. Except as presented below, there have been no material changes to the risk factors disclosed in our 2021 Form 10-K, but these are not the only risks facing our Company. 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.

We face potential liability with respect to our gift cards under the property laws of some states.

Our gift cards, which may be used to purchase food and beverages in our restaurants, may be considered stored value cards by certain states in accordance with their abandoned and unclaimed property laws. These laws could require a company to remit to the state cash in an amount equal to all or a designated portion of the unredeemed balance on the gift cards based on certain card attributes and the length of time that the cards are inactive. We recognize income from unredeemed cards when we determine that the likelihood of the cards being redeemed is remote and that recognition is appropriate based on governing state statutes.

We received a letter, dated February 21, 2022, from the Delaware Secretary of State inviting us to participate in the Delaware Secretary of State’s Abandoned or Unclaimed Property Voluntary Disclosure Agreement Program to avoid being sent an audit notice by the Delaware Department of Finance. On April 22, 2022, we entered into Delaware’s Voluntary Disclosure Agreement Program in order to voluntarily comply with Delaware’s abandoned property law in exchange for certain protections and benefits. We intend to work in good faith to complete a review of our books and records related to unclaimed or abandoned property during the periods required under the program. Amounts incurred and paid to resolve past due unclaimed property obligations in Delaware could have a material adverse effect on our financial condition and results of operations.

The analysis of the potential application of the abandoned and unclaimed property laws to our gift cards is complex, involving an analysis of constitutional, statutory provisions and factual issues. In the event that one or more states change their existing abandoned and unclaimed property laws or successfully challenge our position on the application of its abandoned and unclaimed property laws to our gift cards, or if the estimates that we use in projecting the likelihood of the cards being redeemed prove to be inaccurate, our liabilities with respect to unredeemed gift cards may be materially higher than the amounts shown in our consolidated financial statements. If we are required to materially increase the estimated liability recorded in our consolidated financial statements with respect to unredeemed gift cards, our financial condition and results of operations could be materially adversely affected.

Additionally, we rely on a third-party service provider to administer aspects of our gift cards. Any failure on the part of this service provider to fulfill their contract in a way that adversely effects the use or purchase of our gift cards could result in a material adverse effect on our business, financial condition and results of operations.

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

None

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
10.1*	Employment Agreement, dated March 9, 2022, by and between First Watch Restaurants, Inc. and Christopher A. Tomasso	March 11, 2022, Form 8-K, Exhibit 10.1
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 first fiscal quarter ended March 27, 2022, filed on May 10, 2022, 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

* Denotes a management contract or compensatory plan or arrangement.
** 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 them 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 May 10, 2022.

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/ Mel Hope
Name	Mel Hope
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)) 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) [Omitted];

   (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: May 10, 2022

/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, Mel Hope, 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)) 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) [Omitted];

   (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: May 10, 2022

/s/ Mel Hope
Mel Hope
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 March 27, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher A. Tomasso, Chief Executive Officer of the Company, and Mel Hope, 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: May 10, 2022

/s/ Christopher A. Tomasso

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

/s/ Mel Hope

Mel Hope
Chief Financial Officer
(Principal Financial Officer)