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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

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 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.:

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 60,414,723 shares of common stock as of August 2, 2024.

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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 31, 2023 ("2023 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." Important factors that could cause actual results to differ materially from those in the forward-looking statements include the following: uncertainty regarding the Russia and Ukraine war, Israel-Hamas war and the related impact on macroeconomic conditions, including inflation, as a result of such conflicts or other related events; our vulnerability to changes in economic conditions and consumer preferences; our inability to successfully open new restaurants or establish new markets; our inability to effectively manage our growth; potential negative impacts on sales at our and our franchisees' restaurants as a result of our opening new restaurants; a decline in visitors to any of the retail centers, lifestyle centers, or entertainment centers where our restaurants are located; lower than expected same-restaurant sales growth; unsuccessful marketing programs and limited time new offerings; changes in the cost of food; unprofitability or closure of new restaurants or lower than previously experienced performance in existing restaurants; our inability to compete effectively for customers; unsuccessful financial performance of our franchisees; our limited control over our franchisees' operations; our inability to maintain good relationships with our franchisees; conflicts of interest with our franchisees; the geographic concentration of our system-wide restaurant base in the southeast portion of the United States; damage to our reputation and negative publicity; our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media; our limited number of suppliers and distributors for several of our frequently used ingredients and shortages or disruptions in the supply or delivery of such ingredients; information technology system failures or breaches of our network security; our failure to comply with federal and state laws and regulations relating to privacy, data protection, advertising and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection, advertising and consumer protection; our potential liability with our gift cards under the property laws of some states; our failure to enforce and maintain our trademarks and protect our other intellectual property; litigation with respect to intellectual property assets; our dependence on our executive officers and certain other key employees; our inability to identify, hire, train and retain qualified individuals for our workforce; our failure to obtain or to properly verify the employment eligibility of our employees; our failure to maintain our corporate culture as we grow; unionization activities among our employees; employment and labor law proceedings; labor shortages or increased labor costs or health care costs; risks associated with leasing property subject to long-term and non-cancelable leases; risks related to our sale of alcoholic beverages; costly and complex compliance with federal, state and local laws; changes in accounting principles applicable to us; our vulnerability to natural disasters, unusual weather conditions, pandemic outbreaks, political events, war and terrorism; our inability to secure additional capital to support business growth; our level of indebtedness; failure to comply with covenants under our credit facility; and the interests of our largest stockholder may differ from those of public stockholders.

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)

	JUNE 30, 2024	DECEMBER 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 45,104	$ 49,632
Restricted cash	258	329
Accounts receivable	4,032	5,532
Inventory	5,666	5,381
Prepaid expenses	8,486	7,494
Derivative assets, current	967	457
Other current assets	2,886	2,365
Total current assets	67,399	71,190
Goodwill	398,565	359,883
Intangible assets, net	171,025	151,186
Operating lease right-of-use assets	482,308	420,001
Property, fixtures and equipment, net of accumulated depreciation of $203,862 and $181,481, respectively	313,884	263,082
Other long-term assets	3,473	1,703
Total assets	$ 1,436,654	$ 1,267,045
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 7,177	$ 6,324
Accrued liabilities	39,031	35,630
Accrued compensation	16,979	21,711
Deferred revenues	3,247	5,499
Current portion of operating lease liabilities	45,755	40,281
Current portion of long-term debt	6,645	5,628
Total current liabilities	118,834	115,073
Operating lease liabilities	504,130	441,290
Long-term debt, net	192,074	119,767
Deferred income taxes	32,215	25,331
Derivative liabilities	717	1,346
Other long-term liabilities	2,900	2,954
Total liabilities	850,870	705,761
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock; $0.01 par value; 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock; $0.01 par value; 300,000,000 shares authorized; 60,402,838 and 59,891,705 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	604	599
Additional paid-in capital	641,625	634,099
Accumulated deficit	(56,633)	(72,747)
Accumulated other comprehensive income (loss)	188	(667)
Total equity	585,784	561,284
Total liabilities and equity	$ 1,436,654	$ 1,267,045

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

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Revenues:				
Restaurant sales	$ 255,457	$ 212,587	$ 494,765	$ 420,555
Franchise revenues	3,104	3,713	6,245	7,151
Total revenues	258,561	216,300	501,010	427,706
Operating costs and expenses:				
Restaurant operating expenses (exclusive of depreciation and amortization shown below):				
Food and beverage costs	55,803	47,692	107,987	94,319
Labor and other related expenses	83,841	70,602	163,576	139,175
Other restaurant operating expenses	37,549	32,182	74,341	63,878
Occupancy expenses	20,490	16,461	39,658	32,395
Pre-opening expenses	1,828	1,252	3,395	2,288
General and administrative expenses	27,189	25,284	54,847	47,989
Depreciation and amortization	14,536	9,441	26,807	18,558
Impairments and loss on disposal of assets	153	299	272	433
Transaction expenses, net	725	1,744	1,394	1,997
Total operating costs and expenses	242,114	204,957	472,277	401,032
Income from operations	16,447	11,343	28,733	26,674
Interest expense	(3,381)	(2,037)	(5,980)	(3,944)
Other income, net	713	685	1,039	1,179
Income before income taxes	13,779	9,991	23,792	23,909
Income tax expense	(4,879)	(2,032)	(7,678)	(6,590)
Net income	$ 8,900	$ 7,959	$ 16,114	$ 17,319
Net income	$ 8,900	$ 7,959	$ 16,114	$ 17,319
Other comprehensive income				
Unrealized (loss) gain on derivatives	(99)	(160)	1,139	(160)
Income tax related to other comprehensive income	25	—	(284)	—
Comprehensive income	$ 8,826	$ 7,799	$ 16,969	$ 17,159
Net income per common share - basic	$ 0.15	$ 0.13	$ 0.27	$ 0.29
Net income per common share - diluted	$ 0.14	$ 0.13	$ 0.26	$ 0.28
Weighted average number of common shares outstanding - basic	60,384,696	59,385,510	60,198,743	59,314,470
Weighted average number of common shares outstanding - diluted	62,464,424	60,944,836	62,507,183	60,770,441

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

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Amount				
Balance at December 25, 2022	59,211,019	$ 592	$ 620,675	$ (98,132)	$ —	$ 523,135
Net income	—	—	—	9,360	—	9,360
Stock-based compensation	—	—	1,497	—	—	1,497
Common stock issued under stock-based compensation plans, net	73,571	1	564	—	—	565
Balance at March 26, 2023	59,284,590	593	622,736	(88,772)	—	534,557
Net income	—	—	—	7,959	—	7,959
Stock-based compensation	—	—	2,125	—	—	2,125
Common stock issued under stock-based compensation plans, net	179,360	1	1,355	—	—	1,356
Other comprehensive loss, net of tax	—	—	—	—	(160)	(160)
Balance at June 25, 2023	59,463,950	$ 594	$ 626,216	$ (80,813)	$ (160)	$ 545,837

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity
	Shares	Amount				
Balance at December 31, 2023	59,891,705	$ 599	$ 634,099	$ (72,747)	$ (667)	$ 561,284
Net income	—	—	—	7,214	—	7,214
Stock-based compensation	—	—	1,866	—	—	1,866
Common stock issued under stock-based compensation plans, net	480,826	5	3,142	—	—	3,147
Other comprehensive income, net of tax	—	—	—	—	929	929
Balance at March 31,2024	60,372,531	$ 604	$ 639,107	$ (65,533)	$ 262	$ 574,440
Net income	—	—	—	8,900	—	8,900
Stock-based compensation	—	—	2,452	—	—	2,452
Common stock issued under stock-based compensation plans, net	30,307	—	66	—	—	66
Other comprehensive loss, net of tax	—	—	—	—	(74)	(74)
Balance at June 30, 2024	60,402,838	$ 604	$ 641,625	$ (56,633)	$ 188	$ 585,784

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

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

	TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2024	JUNE 25, 2023
Cash flows from operating activities:		
Net income	$ 16,114	$ 17,319
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,807	18,558
Stock-based compensation	4,318	3,622
Non-cash operating lease costs	12,229	8,994
Non-cash portion of gain on lease modifications	(5)	(123)
Non-cash loss on extinguishments and modifications of debt	358	—
Deferred income taxes	6,600	5,874
Amortization of debt discount and deferred issuance costs	255	221
Impairments and loss on disposal of assets	272	433
Gain on insurance proceeds	(3)	(601)
Changes in assets and liabilities, net of effects of business combinations:		
Accounts receivable	1,500	1,698
Inventory	(57)	198
Prepaid expenses	(969)	(92)
Other assets, current and long-term	(641)	(1,539)
Accounts payable	853	(2,076)
Accrued liabilities and other long-term liabilities	3,655	5,821
Accrued compensation and deferred payroll taxes	(4,732)	2,996
Deferred revenues, current and long-term	(2,535)	(1,920)
Other liabilities	(259)	—
Operating lease liabilities	(6,867)	(3,800)
Net cash provided by operating activities	56,893	55,583
Cash flows from investing activities:		
Capital expenditures	(58,199)	(29,677)
Acquisitions, net of cash acquired	(77,095)	(8,018)
Purchase of intangible assets	(64)	(76)
Insurance proceeds	3	601
Net cash used in investing activities	(135,355)	(37,170)
Cash flows from financing activities:		
Repayments of note payable	—	(1,032)
Proceeds from borrowings on revolving credit facility	22,500	—
Repayments of borrowings on revolving credit facility	(52,500)	—
Proceeds from long-term debt	197,500	—
Repayments of long-term debt, including finance lease liabilities	(94,045)	(2,134)
Payment of debt discount and deferred issuance costs	(2,430)	—
Proceeds from exercise of stock options, net of employee taxes paid	3,213	1,921
Contingent consideration payment	(375)	—
Net cash provided by (used in) financing activities	73,863	(1,245)
Net (decrease) increase in cash and cash equivalents and restricted cash	(4,599)	17,168
Cash and cash equivalents and restricted cash:		
Beginning of period	49,961	49,923
End of period	$ 45,362	$ 67,091

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

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

	TWENTY-SIX WEEKS ENDED			
	JUNE 30, 2024		JUNE 25, 2023	
Supplemental cash flow information:				
Cash paid for interest, net of amounts capitalized	$	4,362	$	3,421
Cash paid for income taxes, net of refunds	$	2,103	$	982
Supplemental disclosures of non-cash investing and financing activities:				
Leased assets obtained in exchange for new operating lease liabilities (1)	$	73,569	$	27,627
Leased assets obtained in exchange for new finance lease liabilities	$	160	$	62
Remeasurements and terminations of operating lease assets and lease liabilities	$	1,613	$	(1,212)
Remeasurements and terminations of finance lease assets and lease liabilities	$	(13)	$	(19)
(Decrease) Increase in liabilities from acquisition of property, fixtures and equipment	$	(550)	$	4,010

(1) Leased assets and liabilities obtained in fiscal 2024 include $28.1 million from business acquisitions.

The accompanying notes are an integral part of these 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 29 states operating under the “First Watch” trade name, which are focused on made-to-order breakfast, brunch and lunch. The Company does not operate outside of the United States and all of its assets are located in the United States. As of June 30, 2024, the Company operated 459 company-owned restaurants and had 79 franchise-owned restaurants.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company reports financial information on a 52- or 53-week fiscal year ending on the last Sunday of each calendar year. The quarters ended June 30, 2024 and June 25, 2023 were 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 31, 2023 (“2023 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 2023 Form 10-K and include all adjustments necessary for the fair statement of the consolidated financial statements for the quarterly periods presented. The results of operations for quarterly periods are not necessarily indicative of the results to be expected for other quarterly 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 and other current liabilities approximate their fair values due to their short-term maturities.

Interest Rate Swaps

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

Summary of Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures,* which requires incremental disclosures related to a public entity's reportable segments but does not change the definition of a segment, the method for determining segments, or the criteria for aggregating operating segments into reportable segments. The new guidance requires that a public entity disclose, on an annual and interim basis, disaggregated expense information that is regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss. The disclosures are also required for public entities that have a single reporting segment. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and should be adopted retrospectively. Early adoption is permitted. Management is currently evaluating the impact of this new standard.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which establishes new income tax disclosure requirements including disaggregated information about a reporting entity's effective tax rate reconciliation as well as disaggregated information on income taxes paid. The new guidance is effective for fiscal years beginning after December 15, 2024 and should be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. Management is currently evaluating the impact of this new standard.

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. Business Acquisitions

The Company acquired, in two separate transactions, substantially all the assets associated with 22 franchise-operated First Watch restaurants. For both transactions, the purchase price was allocated to the fair value of the assets acquired and the liabilities assumed. The allocations were based on preliminary valuations and are subject to adjustment as additional information is available. The Company expects to finalize the valuation of these assets not later than one year from the respective acquisition date. Transaction costs of $1.4 million were incurred in relation to the acquisitions and were recorded to Transaction expenses, net within the Consolidated Statement of Operations and Comprehensive Income. The details of each acquisition are as follows:

(in thousands, except number of acquired restaurants)	JANUARY 22, 2024	APRIL 15, 2024
Number of acquired restaurants	1	21
Purchase consideration	$ 3,002	$ 75,119
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$ 1	$ 32
Inventory	$ 15	$ 213
Other assets	$ 1	$ 134
Property, fixtures and equipment	$ 1,391	$ 16,511
Reacquired rights	$ 498	$ 21,459
Operating right-of-use asset, net of lease position and prepaid rent	$ 1,251	$ 26,199
Deferred revenues - gift card liabilities assumed	$ (5)	$ (160)
Operating lease liabilities	$ (1,247)	$ (26,853)
Goodwill	$ 1,097	$ 37,584

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

The weighted average estimated useful life of the reacquired rights is 5.5 years.

Pro-forma financial information of the acquired restaurants for periods prior to the acquisition dates is not presented due to the immaterial impact on our consolidated financial statements.

4. Revenues

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

(in thousands)	JUNE 30, 2024	DECEMBER 31, 2023
Deferred revenues:		
Deferred gift card revenue	$ 3,022	$ 5,224
Deferred franchise fee revenue - current	225	275
Total current deferred revenues	$ 3,247	$ 5,499
Other long-term liabilities:		
Deferred franchise fee revenue - non-current	$ 1,668	$ 1,786

Changes in deferred gift card contract liabilities were as follows:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Deferred gift card revenue:				
Balance, beginning of period	$ 3,067	$ 2,909	$ 5,224	$ 4,897
Gift card sales	2,838	3,027	4,247	4,561
Gift card redemptions	(2,739)	(2,601)	(5,851)	(5,805)
Gift card breakage	(304)	(261)	(763)	(579)
Gift card liabilities assumed through acquisitions	160	80	165	80
Balance, end of period	$ 3,022	$ 3,154	$ 3,022	$ 3,154

Changes in deferred franchise fee contract liabilities were as follows:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Deferred franchise fee revenue:				
Balance, beginning of period	$ 2,264	$ 2,725	$ 2,061	$ 2,768
Cash received	72	105	407	139
Franchise revenues recognized	(60)	(80)	(162)	(157)
Business combinations - franchise revenues recognized	(383)	(78)	(413)	(78)
Balance, end of period	$ 1,893	$ 2,672	$ 1,893	$ 2,672

Revenues recognized disaggregated by type were as follows:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Restaurant sales:				
In-restaurant dining sales	$ 211,176	$ 174,352	$ 406,375	$ 343,581
Third-party delivery sales	24,375	21,440	50,310	43,754
Take-out sales	19,906	16,795	38,080	33,220
Total restaurant sales	$ 255,457	$ 212,587	$ 494,765	$ 420,555
Franchise revenues:				
Royalty and system fund contributions	$ 2,661	$ 3,555	$ 5,670	$ 6,916
Initial fees	60	80	162	157
Business combinations - revenues recognized	383	78	413	78
Total franchise revenues	3,104	3,713	6,245	7,151
Total revenues	$ 258,561	$ 216,300	$ 501,010	$ 427,706

5. Accounts Receivable

Accounts receivable consisted of the following:

(in thousands)	JUNE 30, 2024	DECEMBER 31, 2023
Receivables from third-party delivery providers	$ 1,309	$ 1,559
Receivables from franchisees	994	1,390
Receivables from vendors	1,092	873
Receivables related to gift card sales	540	1,585
Other receivables	97	125
Total accounts receivable	$ 4,032	$ 5,532

6. Accrued Liabilities

Accrued liabilities consisted of the following:

(in thousands)	JUNE 30, 2024	DECEMBER 31, 2023
Construction liabilities	$ 13,394	$ 13,944
Sales tax	7,416	6,163
Self-insurance and general liability reserves	2,313	1,593
Utilities	1,918	1,657
Interest payable	1,789	401
Credit card fees	2,282	1,706
Property tax	1,371	922
Contingent rent	918	1,160
Common area maintenance	618	749
Acquisition-related liabilities	1,577	1,326
Other	5,435	6,009
Total accrued liabilities	$ 39,031	$ 35,630

7. Debt

Long-term debt, net consisted of the following:

	JUNE 30, 2024		DECEMBER 31, 2023	
(in thousands)	Balance	Interest Rate	Balance	Interest Rate
Term Facility	$ 99,375	7.93%	$ 92,500	7.70%
Delayed Draw Term Facility	96,891	7.90%	—	
Revolving Credit Facility	—		30,000	7.72%
Finance lease liabilities	912		1,076	
Financing obligation	3,050		3,050	
Less: Unamortized debt discount and deferred issuance costs	(1,509)		(1,231)	
Total debt, net	198,719		125,395	
Less: Current portion of long-term debt	(6,645)		(5,628)	
Long-term debt, net	$ 192,074		$ 119,767	

Credit Facility

FWR Holding Corporation (“FWR”), a subsidiary of the Company, is the borrower under the credit agreement dated October 6, 2021 (“Credit Agreement”), which provided for (i) a $100.0 million term loan A facility (the “Term Facility”) and (ii) a $75.0 million revolving credit facility (the “Revolving Credit Facility” and, together with the Term Facility, collectively, the “Credit Facility”).

On February 24, 2023, the Company entered into Amendment No. 1 to the Credit Agreement to replace the London interbank offer rate ("LIBOR") with a secured overnight financing rate ("SOFR") pursuant to the terms and LIBOR fallback language in the Credit Agreement. All outstanding borrowings under the Credit Agreement continued to bear interest at LIBOR until March 27, 2023.

On January 5, 2024, the Company entered into Amendment No. 2 to the Credit Agreement (the "Second Amendment") with terms substantially identical to the Credit Agreement to (i) replace the $100.0 million Term Facility with a new $100.0 million term loan A facility (the "New Term Facility"), (ii) replace the $75.0 million Revolving Credit Facility with a new $75.0 million revolving credit facility (the "New Revolving Credit Facility"), (iii) increase the New Revolving Credit Facility by $50.0 million, bringing the aggregate committed amount under the New Revolving Credit Facility to $125.0 million and (iv) add a new $125.0 million incremental delayed draw term loan facility (the "New Delayed Draw Term Facility"). The New Delayed Draw Term Facility is available to FWR for a period of 18 months from the date of the Second Amendment and the proceeds may be used to fund permitted acquisitions and new restaurant capital expenditures, repay revolving loans and/or replenish balance sheet cash, in each case, used for such permitted acquisitions or capital expenditures.

Loans drawn under the New Delayed Draw Term Facility will amortize in equal quarterly installments at the same amortization rate per annum as then applicable to loans under the New Term Facility. The New Term Facility, the New Revolving Credit Facility and the New Delayed Draw Term Facility mature on January 5, 2029.

On April 12, 2024, the Company drew $97.5 million of the $125.0 million New Delayed Draw Term Facility. The proceeds were used to repay $22.5 million of borrowings under the New Revolving Credit Facility and fund the franchise acquisition on April 15, 2024 that was completed for approximately $75.1 million.

As of June 30, 2024, borrowings under the Credit Facility, as amended, bear interest at the option of FWR at either (i) the alternate base rate plus a margin of between 150 and 225 basis points depending on the total rent adjusted net leverage ratio of FWR and its restricted subsidiaries on a consolidated basis (the "Total Rent Adjusted Net Leverage Ratio") or (ii) SOFR plus a credit spread adjustment of 10 basis points plus a margin of between 250 and 325 basis points depending on the Total Rent Adjusted Net Leverage Ratio. Refer to Note 8, *Interest Rate Swaps*, for information about the variable-to-fixed interest rate swap agreements entered in June 2023 and May 2024.

Fair Value of Debt

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

	JUNE 30, 2024		DECEMBER 31, 2023	
(in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Term Facility	$ 99,375	$ 98,937	$ 92,500	$ 92,201
Delayed Draw Term Facility	$ 96,891	$ 96,464	$ —	$ —
Revolving Credit Facility	$ —	$ —	$ 30,000	$ 29,897

8. Interest Rate Swaps

The Company utilizes interest rate swaps to hedge a portion of the cash flows of the Company's variable rate debt.

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

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

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

Amounts reported in Other comprehensive income related to the interest rate swaps will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the thirteen and twenty-six weeks ended June 30, 2024, a total of $0.2 million and $0.5 million, respectively, was reclassified from Other comprehensive income (loss) as a reduction to Interest expense. Over the next 12 months, the Company estimates that $1.0 million will be reclassified as a reduction to interest expense.

9. Leases

The following table includes detail of lease assets and liabilities:

(in thousands)	**Consolidated Balance Sheet Classification**	**JUNE 30, 2024**	**DECEMBER 31, 2023**
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 482,308	$ 420,001
Finance lease assets	Property, fixtures and equipment, net	919	1,033
Total lease assets		$ 483,227	$ 421,034
Operating lease liabilities [1] - current	Current portion of operating lease liabilities	$ 45,755	$ 40,281
Operating lease liabilities - non-current	Operating lease liabilities	504,130	441,290
Finance lease liabilities - current	Current portion of long-term debt	473	628
Finance lease liabilities - non-current	Long-term debt, net	439	448
Total lease liabilities		$ 550,797	$ 482,647

(1) Excludes all variable lease expense.

The components of lease expense are as follows:

		THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	**Consolidated Statements of Operations and Comprehensive Income Classification**	**JUNE 30, 2024**	**JUNE 25, 2023**	**JUNE 30, 2024**	**JUNE 25, 2023**
Operating lease expense	Other restaurant operating expenses Occupancy expenses Pre-opening expenses General and administrative expenses	$ 17,059	$ 13,472	$ 32,752	$ 26,441
Variable lease expense	Food and beverage costs Occupancy expenses General and administrative expenses	4,818	4,126	9,426	8,006
Finance lease expense:					
Amortization of leased assets	Depreciation and amortization	133	127	261	254
Interest on lease liabilities	Interest expense	18	26	36	52
Total lease expense [(1)]		$ 22,028	$ 17,751	$ 42,475	$ 34,753

(1) Includes contingent rent expense of $0.4 million and $0.5 million during the thirteen weeks ended June 30, 2024 and June 25, 2023, respectively, and $0.9 million for both of the twenty-six weeks ended June 30, 2024 and June 25, 2023.

Supplemental cash flow information related to leases was as follows:

	TWENTY-SIX WEEKS ENDED	
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	$ 27,391	$ 21,247
Operating cash flows - finance leases	$ 36	$ 52
Financing cash flows - finance leases	$ 311	$ 259

Supplemental information related to leases was as follows:

	TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2024	**JUNE 25, 2023**
Weighted-average remaining lease term (in years)		
Operating leases	13.5	14.2
Finance leases	3.3	2.6
Weighted-average discount rate [(1)]		
Operating leases	8.0 %	8.5 %
Finance leases	6.5 %	7.4 %

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

As of June 30, 2024, future minimum lease payments for operating and finance leases consisted of the following:

(in thousands)	OPERATING LEASES	FINANCE LEASES
Fiscal year		
2024	$ 18,714	$ 343
2025	62,661	294
2026	68,923	108
2027	68,313	96
2028	67,929	83
Thereafter	649,482	88
Total future minimum lease payments [1]	936,022	1,012
Less: imputed interest	(386,137)	(100)
Total present value of lease liabilities	$ 549,885	$ 912

(1) Excludes approximately $126.4 million of executed operating leases that have not commenced as of June 30, 2024.

10. Equity and Stock-Based Compensation

Equity transactions

During the first quarter of 2024, funds managed by the Company's largest stockholder, Advent International, L.P. ("Advent") sold 6,900,000 shares of the Company's common stock through an underwritten secondary public offering, including 900,000 shares of common stock that were sold pursuant to the underwriter's option to purchase additional shares, which was exercised in full. All net proceeds from the sale of the shares of common stock were distributed to the selling stockholders. The Company incurred approximately $0.5 million of costs in connection with the offerings that were recorded within Transaction expenses, net on the Consolidated Statements of Operations and Comprehensive Income.

During the second quarter of 2023, Advent sold 3,500,000 and 3,000,000 shares of the Company's common stock through underwritten secondary public offerings that were completed on May 18, 2023 and June 13, 2023, respectively. The selling stockholders sold an additional 525,000 and 450,000 shares of common stock on May 18, 2023 and July 3, 2023, respectively, pursuant to the terms of the underwriter's option associated with each secondary offering. All net proceeds from the sale of the shares of common stock were distributed to the selling stockholders. The Company incurred approximately $1.0 million of costs that were recorded within Transaction expenses, net on the Consolidated Statements of Operations and Comprehensive Income.

Stock option awards

There were no stock option awards granted during the twenty-six weeks ended June 30, 2024. A summary of stock option activity during the twenty-six weeks ended June 30, 2024 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	AGGREGATE INTRINSIC VALUE (in thousands)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (in years)
Outstanding, December 31, 2023	4,347,186	$ 10.22	$ 42,965	5.1
Forfeited	(22,999)	$ 12.65		
Exercised	(324,276)	$ 9.91		
Outstanding, June 30, 2024	3,999,911	$ 10.23	$ 29,334	4.5
Exercisable, June 30, 2024	3,633,619	$ 9.97	$ 27,585	4.2

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 Nasdaq on the last trading day of the period.

A summary of the non-vested stock option activity during the twenty-six weeks ended June 30, 2024 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE GRANT DATE FAIR VALUE PER SHARE
Nonvested, December 31, 2023	1,234,031	$ 7.36
Forfeited	(22,999)	$ 5.70
Vested	(844,740)	$ 7.95
Nonvested, June 30, 2024	366,292	$ 6.09

Restricted stock units

During the twenty-six weeks ended June 30, 2024, a total of 459,041 restricted stock units ("RSUs") were granted. Of the total RSUs granted, 353,683 will vest ratably over a period of three years from grant date, 33,762 will vest one year from the grant date, and the remaining 71,596 will vest 50% on the second anniversary of the grant date and 50% on the third anniversary of grant date. A summary of the Company's RSU activity during the twenty-six weeks ended June 30, 2024 is as follows:

	RESTRICTED STOCK UNITS	WEIGHTED AVERAGE GRANT DATE FAIR VALUE PER SHARE	AGGREGATE INTRINSIC VALUE (in thousands)
Outstanding, December 31, 2023	521,042	$ 15.71	$ 10,473
Granted	459,041	$ 24.33	
Forfeited	(7,436)	$ 17.03	
Vested	(186,857)	$ 15.85	
Outstanding, June 30, 2024	785,790	$ 20.70	$ 13,798

The aggregate intrinsic value is based on the closing price of the Company's common stock on Nasdaq of $17.56 and $20.10 on June 28, 2024 and December 29, 2023, the last trading days for the periods, respectively.

Stock-based compensation expense was $2.5 million and $2.1 million during the thirteen weeks ended June 30, 2024 and June 25, 2023, respectively, and $4.3 million and $3.6 million during the twenty-six weeks ended June 30, 2024 and June 25, 2023, respectively.

The total related income tax benefit for stock-based compensation expense was $0.1 million and $0.4 million during the thirteen weeks ended June 30, 2024 and June 25, 2023, and $1.4 million and $0.6 million during the twenty-six weeks ended June 30, 2024 and June 25, 2023, respectively.

Unrecognized stock-based compensation expense

The following represents unrecognized stock-based compensation expense and the remaining weighted average vesting period as of June 30, 2024:

	UNRECOGNIZED STOCK-BASED COMPENSATION EXPENSE *(in thousands)*	REMAINING WEIGHTED AVERAGE VESTING PERIOD *(in years)*
Stock options	$ 1,572	0.7
Restricted stock units	$ 14,190	2.2

11. Income Taxes

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Income before income taxes	$ 13,779	$ 9,991	$ 23,792	$ 23,909
Income tax expense	$ (4,879)	$ (2,032)	$ (7,678)	$ (6,590)
Effective income tax rate	35.4 %	20.3 %	32.3 %	27.6 %

The effective income tax rate for the thirteen and twenty-six weeks ended June 30, 2024 was 35.4% and 32.3%, respectively, as compared to 20.3% and 27.6% for the thirteen and twenty-six weeks ended June 25, 2023, respectively. The change in the effective income tax rates was primarily due to (i) the change in the valuation allowance on deferred tax assets, (ii) the benefit of tax credits for FICA taxes on certain employees' tips and (iii) impact of executive stock-based compensation.

The effective income tax rates for the thirteen and twenty-six weeks ended June 30, 2024 and June 25, 2023 were different than the blended federal and state statutory rate primarily due to (i) the change in the valuation allowance, (ii) the benefit of tax credits for FICA taxes on certain employees' tips, (iii) the impacts of executive stock-based compensation and (iv) non-deductible costs associated with the Secondary Offerings.

Valuation allowance

Management evaluates quarterly whether the resulting deferred tax assets are realizable given the Company's earnings history. Based on the available evidence, the Company does not meet the more likely than not standard related to the realization of a portion of the deferred tax assets as of June 30, 2024. Accordingly, the Company has established a valuation allowance on the portion of deferred tax assets deemed not realizable, including state charitable contribution carryovers, various state loss carryforwards and various federal tax credit carryforwards.

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

Contingent consideration liability

Certain federal loss carryforwards, state loss carryforwards and general business credits were accumulated from operations prior to the August 2017 merger through which the Company became majority owned by Advent. Under the terms of an agreement with the previous stockholders, to the extent that these credits and carryforwards were utilized to reduce taxes payable, the Company was required to pay the previous stockholders an amount equal to tax savings. In accordance with the agreement, an initial contingent consideration liability of $1.2 million was recognized and adjusted periodically for estimated future use and the actual distributions to previous stockholders. By agreement the obligation would lapse following a change in control event.

During the first quarter of 2024, Advent sold common stock of the Company through a secondary public offering. As a result, Advent no longer controlled a majority of the Company's issued and outstanding shares of common stock. Advent's first quarter sale, therefore, represents a change of control event as defined in the agreement. Given this change in control event, the remaining $0.6 million of the contingent consideration liability was released through Transaction expenses, net. Final payment to previous stockholders was made in the second quarter of 2024.

12. Commitments and Contingencies

Legal Proceedings

The Company is subject to legal proceedings, claims and liabilities that arise in the ordinary course of business. The amount of the anticipated liability with respect to these matters was not material as of June 30, 2024. In the event any litigation losses become probable and estimable, the Company will recognize 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 August 31, 2022, the Company was accepted into Delaware's Voluntary Disclosure Agreement Program, entitling it to certain benefits and protections offered to participants in the program. In 2023, the Company recorded $0.8 million in General and administrative expenses for this matter. In the second quarter of 2024, the Company paid $0.7 million to the State of Delaware to resolve escheat matters related to unclaimed gift card balances. The Company believes any additional payments to the State of Delaware to resolve the remaining escheat matters will not be significant.

Management believes the Company is not currently required to remit any amounts relating to future unredeemed gift cards to states as the Company's subsidiary that is the issuer of our gift cards was re-domiciled in Florida, which exempts gift cards from the abandoned and unclaimed property laws.

13. Net Income Per Common Share

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands, except share and per share data)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Numerator:				
Net income	$ 8,900	$ 7,959	$ 16,114	$ 17,319
Denominator:				
Weighted average common shares outstanding - basic	60,384,696	59,385,510	60,198,743	59,314,470
Weighted average common shares outstanding - diluted	62,464,424	60,944,836	62,507,183	60,770,441
Net income per common share - basic	$ 0.15	$ 0.13	$ 0.27	$ 0.29
Net income per common share - diluted	$ 0.14	$ 0.13	$ 0.26	$ 0.28
Stock options outstanding not included in diluted net income per common share as their effect is anti-dilutive	12,552	1,005,061	12,552	1,005,359
Restricted stock units outstanding not included in diluted net income per share as their effect is anti-dilutive	417,325	9,065	266,115	4,533

Diluted net income 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.

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

Cautionary Statement

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q and our audited consolidated financial statements and notes included in our 2023 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 in our 2023 Form 10-K, including under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Part II, Item 1A. Risk Factors" of our Form 10-Q for the quarter ended March 31, 2024.

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 2023, First Watch was named a Top 100 Most Loved Workplace® in Newsweek by the Best Practice Institute for the second consecutive year. On October 1, 2021, the Company's common stock began trading on Nasdaq under the ticker symbol "FWRG."

The Company operates and franchises restaurants in 29 states under the "First Watch" trade name and as of June 30, 2024, the Company had 459 company-owned restaurants and 79 franchise-owned restaurants.

Recent Developments

Financial highlights for the thirteen weeks ended June 30, 2024 ("second quarter of 2024") as compared, unless otherwise indicated below, to the thirteen weeks ended June 25, 2023 ("second quarter of 2023"), reflected the continued momentum of our strong operating performance and include the following:

- Total revenues increased 19.5% to $258.6 million in the second quarter of 2024 from $216.3 million in the second quarter of 2023
- System-wide sales increased 10.1% to $299.0 million in the second quarter of 2024 from $271.5 million in the second quarter of 2023
- Same-restaurant sales growth of negative 0.3%*
- Same-restaurant traffic growth of negative of 4.0%*
- Income from operations margin increased to 6.4% during the second quarter of 2024 from 5.3% in the second quarter of 2023
- Restaurant level operating profit margin** increased to 21.9% in the second quarter of 2024 from 20.9% in the second quarter of 2023
- Net income increased to $8.9 million, or $0.14 per diluted share, in the second quarter of 2024 from $8.0 million, or $0.13 per diluted share in the second quarter of 2023
- Adjusted EBITDA** increased to $35.3 million in the second quarter of 2024 from $25.8 million in the second quarter of 2023
- Opened 7 system-wide restaurants in 6 states and acquired 21 franchise-owned restaurants resulting in a total of 538 system-wide restaurants (459 company-owned and 79 franchise-owned) across 29 states

*Comparing the thirteen-week periods ended June 30, 2024 and July 2, 2023 in order to compare like-for-like periods. See "Key Performance Indicators" for additional information.

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

Business Trends

Our same restaurant sales growth was negative 0.3% for the quarter due principally to continuing pressure on traffic. Our same restaurant traffic growth was negative 4.0% in the second quarter which was up from negative 4.5% reported in the first quarter.

Commodity inflation of 4.2% in the second quarter was due principally to increases in our cost of avocados and bacon and partially offset by a decline in the cost of coffee, shell eggs and bread. Management estimates 2024 commodity inflation will range between 2.0% to 4.0%.

During the second quarter, restaurant-level wage inflation was approximately 5.0%. For the full year, management expects restaurant-level wage inflation in the range of 5.0% to 7.0%.

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 second quarter of 2024, this operating metric compares the thirteen and twenty-six-week periods ended June 30, 2024 with the thirteen and twenty-six-week periods ended July 2, 2023, versus the thirteen and twenty-six-week periods ended June 25, 2023, in order to compare like-for-like periods. For the thirteen and twenty-six weeks ended June 30, 2024 and July 2, 2023, there were 344 restaurants and 327 restaurants, respectively, in our Comparable Restaurant Base. Measuring our same-restaurant sales growth allows management to evaluate the performance of our existing restaurant base. We believe this measure is useful for investors to provide a consistent comparison of restaurant sales results and trends across periods within our core, established restaurant base, unaffected by results of store openings, closings, and other transitional changes.

Same-Restaurant Traffic Growth: the percentage change in traffic counts for the thirteen and twenty-six week periods ended June 30, 2024 as compared to the thirteen and twenty-six-week periods ended July 2, 2023 using the Comparable Restaurant Base, in order to compare like-for-like periods. 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.

Non-GAAP Financial Measures

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

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

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

Adjusted EBITDA: represents Net income 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, the most directly comparable measure in accordance with GAAP, to Adjusted EBITDA, included in the section *Non-GAAP Financial Measure Reconciliations* below.

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

Restaurant Level Operating Profit: represents restaurant sales, less restaurant operating expenses, which include food and beverage costs, labor and other related expenses, other restaurant operating expenses, pre-opening expenses and occupancy expenses. Restaurant level operating profit excludes corporate-level expenses and other items that we do not consider in the evaluation of the ongoing core operating performance of our restaurants as identified in the reconciliation of Income from operations, the most directly comparable GAAP measure, to Restaurant level operating profit, included in the section *Non-GAAP Financial Measure Reconciliations* below.

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

Selected Operating Data

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
System-wide sales (in thousands)	$ 298,978	$ 271,546	$ 588,558	$ 536,265
System-wide restaurants	538	492	538	492
Company-owned	459	381	459	381
Franchise-owned	79	111	79	111
Same-restaurant sales growth (1)	(0.3)%	7.8 %	0.1 %	10.4 %
Same-restaurant traffic growth (1)	(4.0)%	(1.2)%	(4.2)%	1.9 %
Income from operations (in thousands)	$ 16,447	$ 11,343	$ 28,733	$ 26,674
Income from operations margin	6.4 %	5.3 %	5.8 %	6.3 %
Restaurant level operating profit (in thousands) (2)	$ 55,946	$ 44,398	$ 105,808	$ 88,500
Restaurant level operating profit margin (2)	21.9 %	20.9 %	21.4 %	21.0 %
Net income (in thousands)	$ 8,900	$ 7,959	$ 16,114	$ 17,319
Net income margin	3.4 %	3.7 %	3.2 %	4.0 %
Adjusted EBITDA (in thousands) (3)	$ 35,325	$ 25,816	$ 63,915	$ 53,229
Adjusted EBITDA margin (3)	13.7 %	11.9 %	12.8 %	12.4 %

(1) Comparing the thirteen and twenty-six-week periods ended June 30, 2024 with the thirteen and twenty-six-week periods ended July 2, 2023 in order to compare like-for-like periods. See "Key Performance Indicators" for additional information.

(2) 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 Reconciliations* section below.

(3) Reconciliations from Net income and Net income 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 Reconciliations* section below.

Results of Operations

The following table summarizes our results of operations and the percentages of certain items in relation to Total revenues or, where indicated, Restaurant sales for the thirteen and twenty-six weeks ended June 30, 2024 and June 25, 2023:

	THIRTEEN WEEKS ENDED				TWENTY-SIX WEEKS ENDED			
(in thousands)	JUNE 30, 2024		JUNE 25, 2023		JUNE 30, 2024		JUNE 25, 2023	
Revenues								
Restaurant sales	$ 255,457	98.8 %	$ 212,587	98.3 %	$ 494,765	98.8 %	$ 420,555	98.3 %
Franchise revenues	3,104	1.2 %	3,713	1.7 %	6,245	1.2 %	7,151	1.7 %
Total revenues	$ 258,561	100.0 %	$ 216,300	100.0 %	$ 501,010	100.0 %	$ 427,706	100.0 %
Operating costs and expenses								
Restaurant operating expenses [1] (exclusive of depreciation and amortization shown below):								
Food and beverage costs	55,803	21.8 %	47,692	22.4 %	107,987	21.8 %	94,319	22.4 %
Labor and other related expenses	83,841	32.8 %	70,602	33.2 %	163,576	33.1 %	139,175	33.1 %
Other restaurant operating expenses	37,549	14.7 %	32,182	15.1 %	74,341	15.0 %	63,878	15.2 %
Occupancy expenses	20,490	8.0 %	16,461	7.7 %	39,658	8.0 %	32,395	7.7 %
Pre-opening expenses	1,828	0.7 %	1,252	0.6 %	3,395	0.7 %	2,288	0.5 %
General and administrative expenses	27,189	10.5 %	25,284	11.7 %	54,847	10.9 %	47,989	11.2 %
Depreciation and amortization	14,536	5.6 %	9,441	4.4 %	26,807	5.4 %	18,558	4.3 %
Impairments and loss on disposal of assets	153	0.1 %	299	0.1 %	272	0.1 %	433	0.1 %
Transaction expenses, net	725	0.3 %	1,744	0.8 %	1,394	0.3 %	1,997	0.5 %
Total operating costs and expenses	242,114	93.6 %	204,957	94.8 %	472,277	94.3 %	401,032	93.8 %
Income from operations [1]	16,447	6.4 %	11,343	5.3 %	28,733	5.8 %	26,674	6.3 %
Interest expense	(3,381)	(1.3)%	(2,037)	(0.9)%	(5,980)	(1.2)%	(3,944)	(0.9)%
Other income, net	713	0.3 %	685	0.3 %	1,039	0.2 %	1,179	0.3 %
Income before income taxes	13,779	5.3 %	9,991	4.6 %	23,792	4.7 %	23,909	5.6 %
Income tax expense	(4,879)	(1.9)%	(2,032)	(0.9)%	(7,678)	(1.5)%	(6,590)	(1.5)%
Net income	$ 8,900	3.4 %	$ 7,959	3.7 %	$ 16,114	3.2 %	$ 17,319	4.0 %

(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			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Restaurant sales:						
In-restaurant dining sales	$ 211,176	$ 174,352	21.1 %	$ 406,375	$ 343,581	18.3 %
Third-party delivery sales	24,375	21,440	13.7 %	50,310	43,754	15.0 %
Take-out sales	19,906	16,795	18.5 %	38,080	33,220	14.6 %
Total Restaurant sales	$ 255,457	$ 212,587	20.2 %	$ 494,765	$ 420,555	17.6 %

The increase in total restaurant sales as compared to the same periods in the prior year was due principally to restaurant sales of (i) $20.9 million and $36.8 million for the thirteen and twenty-six weeks ended June 30, 2024, respectively, from 40 NROs opened between June 25, 2023 and June 30, 2024, (ii) $19.3 million and $28.4 million for the thirteen and twenty-six weeks ended June 30, 2024, respectively, from 39 restaurants acquired from franchisees between June 25, 2023 and June 30, 2024 and (iii) menu price increases.

Franchise Revenues

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Franchise revenues:						
Royalty and system fund contributions	$ 2,661	$ 3,555	(25.1)%	$ 5,670	$ 6,916	(18.0)%
Initial fees	60	80	(25.0)%	162	157	3.2 %
Business acquisitions - franchise revenues recognized	383	$ 78	391.0 %	413	$ 78	429.5 %
Total Franchise revenues	$ 3,104	$ 3,713	(16.4)%	$ 6,245	$ 7,151	(12.7)%

The decrease in franchise revenues during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily driven by the acquisition of 39 franchise-owned restaurants, partially offset by franchise revenues from the 8 franchise-owned NROs between June 25, 2023 and June 30, 2024.

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			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Food and beverage costs	$ 55,803	$ 47,692	17.0 %	$ 107,987	$ 94,319	14.5 %
As a percentage of restaurant sales	21.8 %	22.4 %	(0.6)%	21.8 %	22.4 %	(0.6)%

Food and beverage costs as a percent of restaurant sales decreased during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year primarily due to the leverage of menu price increases partially offset by commodity inflation.
Food and beverage costs increased during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year primarily as a result of the 40 NROs and 39 restaurants acquired from franchisees between June 25, 2023 and June 30, 2024.

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			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Labor and other related expenses	$ 83,841	$ 70,602	18.8 %	$ 163,576	$ 139,175	17.5 %
As a percentage of restaurant sales	32.8 %	33.2 %	(0.4)%	33.1 %	33.1 %	— %

Labor and other related expenses as a percentage of restaurant sales decreased during the thirteen weeks ended June 30, 2024 as compared to the same period in the prior year primarily as a result of (i) the leverage of menu price increases, and (ii) hourly labor efficiency. These increases were partially offset by wage increases.

The increase in labor and other related expenses during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily due to (i) the increase in the number of restaurants (ii) wage increases and (iii) carrying more managers to staff new restaurants.

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			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Other restaurant operating expenses	$ 37,549	$ 32,182	16.7 %	$ 74,341	$ 63,878	16.4 %
As a percentage of restaurant sales	14.7 %	15.1 %	(0.4)%	15.0 %	15.2 %	(0.2)%

For the thirteen and twenty-six weeks ended June 30, 2024, other restaurant operating expenses as a percentage of restaurant sales was lower than the same periods in the prior year primarily due to (i) decrease in smallwares expense, (ii) deflation in to-go supplies costs, and (iii) decrease in general liability insurance premiums, partially offset by increases in credit card fees attributable to our pay-at-table program rolled out in the first quarter of 2024.

The increase in other restaurant operating expenses during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was mainly due to the increase in the number of restaurants.

Occupancy Expenses

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Occupancy expenses	$ 20,490	$ 16,461	24.5 %	$ 39,658	$ 32,395	22.4 %
As a percentage of restaurant sales	8.0 %	7.7 %	0.3 %	8.0 %	7.7 %	0.3 %

As a percentage of restaurant sales, the increase in occupancy expenses for the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily due to higher rent expense and the deleverage associated with negative same restaurant sales growth.

The increase in occupancy expenses during the thirteen weeks and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily due to the increase in the number of company-owned restaurants.

Pre-opening Expenses

Pre-opening expenses are costs incurred to open new company-owned restaurants. Pre-opening expenses include 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			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Pre-opening expenses	$ 1,828	$ 1,252	46.0 %	$ 3,395	$ 2,288	48.4 %

The increase in pre-opening expenses during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily from increases in (i) rent, (ii) travel expenses and (iii) the number of restaurants opened and under construction.

General and Administrative Expenses

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
General and administrative expenses	$ 27,189	$ 25,284	7.5 %	$ 54,847	$ 47,989	14.3 %

The increase in general and administrative expenses during the thirteen weeks ended June 30, 2024 as compared to the same period in the prior year was mainly due to (i) $1.2 million in compensation expense from wage increases and additional employee headcount to support growth and (ii) $0.7 million increase in consulting and professional services, information technology, licenses, travel and other miscellaneous expenses.

The increase in general and administrative expenses during the twenty-six weeks ended June 30, 2024 as compared to the same period in the prior year was mainly due to (i) $4.3 million in compensation expense from wage increases and additional employee headcount to support growth and (ii) $2.6 million increase in consulting and professional services, information technology, licenses, travel and other miscellaneous expenses.

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, L.P. (“Advent”) in August 2017, as well as reacquired rights from our acquisitions of franchise-owned restaurants.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Depreciation and amortization	$ 14,536	$ 9,441	54.0 %	$ 26,807	$ 18,558	44.4 %

The increase in depreciation and amortization during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was due to (i) additional NRO assets and restaurants acquired from franchisees and (ii) reacquired rights.

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 our acquisition by Advent in August 2017, (ii) gains or losses associated with lease or contract terminations, (iii) costs incurred in connection with the acquisition of franchise-owned restaurants, (iv) costs related to restaurant closures and (v) costs related to certain equity offerings.

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	Change	JUNE 30, 2024	JUNE 25, 2023	Change
Transaction expenses, net	$ 725	$ 1,744	(58.4)%	$ 1,394	$ 1,997	(30.2)%

The decrease in Transaction expenses, net during the thirteen-week period ended June 30, 2024 as compared to the same period in the prior year was primarily due to (i) $0.7 million decrease in costs incurred by us in connection with the secondary public offerings of the Company’s common stock by entities affiliated with Advent and (ii) $0.3 million decrease in costs incurred in connection with the acquisition of certain franchise-owned restaurants.

The decrease in Transaction expenses, net during the twenty-six weeks ended June 30, 2024 as compared to the same period in the prior year was primarily due to a contingent consideration liability reduction recognized as a reduction in transaction expenses in the first quarter of 2024.

Income from Operations

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**
Income from operations	$ 16,447	$ 11,343	45.0 %	$ 28,733	$ 26,674	7.7 %
As a percentage of restaurant sales	6.4 %	5.3 %	1.1 %	5.8 %	6.3 %	(0.5)%

Income from operations margin increased during the thirteen weeks ended June 30, 2024 as compared to the same period in the prior year primarily due to (i) leveraging increase in sales from menu price increases and (ii) improved labor efficiency. This was partially offset by increases in occupancy expense and depreciation and amortization increasing as a percent of sales.

Income from operations margin decreased during the twenty-six weeks ended June 30, 2024 as compared to the same period in the prior year primarily due to (i) the increase in occupancy expenses and (ii) higher depreciation and amortization expense driven by our restaurant growth and acquisition of certain franchise-owned restaurants, partially offset by the increase in restaurant sales.

Interest Expense

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**
Interest expense	$ 3,381	$ 2,037	66.0 %	$ 5,980	$ 3,944	51.6 %

The increase in interest expense during the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was due to (i) increased borrowings associated with franchise acquisitions and (ii) higher interest rates.

Other Income, Net

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**
Other income, net	$ 713	$ 685	4.1 %	$ 1,039	$ 1,179	(11.9)%

The twenty-six week period ended June 30, 2024 includes $0.4 million of debt refinancing charges. Differences in Other income for the comparative periods presented are related to expected fluctuations in insurance recoveries and interest income.

Income Tax Expense

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**	**JUNE 30, 2024**	**JUNE 25, 2023**	**Change**
Income tax expense	$ (4,879)	$ (2,032)	140.1 %	$ (7,678)	$ (6,590)	16.5 %
Effective income tax rate	35.4 %	20.3 %	15.1 %	32.3 %	27.6 %	4.7 %

The change in the effective income tax rates for the thirteen and twenty-six weeks ended June 30, 2024 as compared to the same periods in the prior year was primarily due to (i) the change in the valuation allowance on deferred tax assets, (ii) the benefit of tax credits for FICA taxes on certain employees' tips and (iii) the impacts of executive stock-based compensation.

Net Income

	THIRTEEN WEEKS ENDED					TWENTY-SIX WEEKS ENDED				
(in thousands)	JUNE 30, 2024		JUNE 25, 2023		Change	JUNE 30, 2024		JUNE 25, 2023		Change
Net income	$	8,900	$	7,959	11.8 %	$	16,114	$	17,319	(7.0)%
As a percentage of total revenues		3.4 %		3.7 %	(0.3)%		3.2 %		4.0 %	(0.8)%

The increase in net income during the thirteen weeks ended June 30, 2024 as compared to the same period in the prior year was primarily due to the increase in income from operations. This was partially offset by (i) the increase in interest expense and (ii) the increase in income tax expense. Net income margin during the thirteen weeks ended June 30, 2024 decreased compared to the same period in the prior year primarily due to the increase in interest expense and income tax expense, partially offset by the increase in income from operations.

Net income and net income margin during the twenty-six weeks ended June 30, 2024 decreased as compared to the same period in the prior year primarily due to the (i) increase in interest expense, (ii) the increase in income tax expense and (iii) the decrease in income from operations margin.

Restaurant Level Operating Profit and Restaurant level Operating Profit Margin

	THIRTEEN WEEKS ENDED					TWENTY-SIX WEEKS ENDED				
(in thousands)	JUNE 30, 2024		JUNE 25, 2023		Change	JUNE 30, 2024		JUNE 25, 2023		Change
Restaurant level operating profit	$	55,946	$	44,398	26.0 %	$	105,808	$	88,500	19.6 %
Restaurant level operating profit margin		21.9 %		20.9 %	1.0 %		21.4 %		21.0 %	0.4 %

Restaurant level operating profit margin during the thirteen weeks ended June 30, 2024 increased as compared to the same period in the prior year primarily due to (i) additional restaurant sales contributed by NROs and restaurants acquired between June 25, 2023 and June 30, 2024, (ii) favorable food and beverage costs as a percent of sales and (iii) labor efficiencies. This was partially offset by the increase in (i) wages and (ii) the deleverage of occupancy expenses.

Restaurant level operating profit for the twenty-six weeks ended June 30, 2024 increased as compared to the same period in the prior year primarily due to (i) sales growth driven by the increase in menu prices, as well as (ii) restaurant sales contributed by 40 NROs and 39 restaurants acquired from franchisees between June 25, 2023 and June 30, 2024. This was partially offset by an increase in (i) wages and (ii) deleverage of occupancy expenses.

Adjusted EBITDA and Adjusted EBITDA Margin

	THIRTEEN WEEKS ENDED					TWENTY-SIX WEEKS ENDED				
(in thousands)	JUNE 30, 2024		JUNE 25, 2023		Change	JUNE 30, 2024		JUNE 25, 2023		Change
Adjusted EBITDA	$	35,325	$	25,816	36.8 %	$	63,915	$	53,229	20.1 %
Adjusted EBITDA margin		13.7 %		11.9 %	1.8 %		12.8 %		12.4 %	0.4 %

Adjusted EBITDA increased during the thirteen and twenty-six week periods ended June 30, 2024 as compared to the same periods in the prior year primarily due to the increase in restaurant level operating profit. This was partially offset by general and administrative expenses mainly due to wage increases and additional employee headcount to support growth..

Adjusted EBITDA margin increased during the thirteen and twenty-six week periods ended June 30, 2024 compared to the same periods in the prior year primarily due to an increase in (i) restaurant level operating profit margin and (ii) general and administrative expenses growing at a slower rate than total revenue.

Non-GAAP Financial Measures Reconciliations

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Net income	$ 8,900	$ 7,959	$ 16,114	$ 17,319
Depreciation and amortization	14,536	9,441	26,807	18,558
Interest expense	3,381	2,037	5,980	3,944
Income taxes	4,879	2,032	7,678	6,590
EBITDA	31,696	21,469	56,579	46,411
Strategic costs (1)	161	208	396	513
Loss on extinguishment and modification of debt	—	—	428	—
Stock-based compensation (2)	2,452	2,125	4,318	3,622
Delaware Voluntary Disclosure Agreement Program (3)	67	45	75	412
Transaction expenses, net (4)	725	1,744	1,394	1,997
Insurance proceeds in connection with natural disasters, net (5)	—	(154)	—	(295)
Impairments and loss on disposal of assets (6)	153	299	272	433
Recruiting and relocation costs (7)	71	80	275	110
Severance costs (8)	—	—	178	26
Adjusted EBITDA	$ 35,325	$ 25,816	$ 63,915	$ 53,229
Total revenues	$ 258,561	$ 216,300	$ 501,010	$ 427,706
Net income margin	3.4 %	3.7 %	3.2 %	4.0 %
Adjusted EBITDA margin	13.7 %	11.9 %	12.8 %	12.4 %
Additional information				
Deferred rent expense (9)	$ 406	$ 330	$ 749	$ 914

(1) Represents costs related to process improvements and strategic initiatives. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.
(2) Represents non-cash, stock-based compensation expense which is recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.
(3) Represents professional service costs incurred in connection with the Delaware Voluntary Disclosure Agreement Program related to unclaimed or abandoned property. These costs are recorded in General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.
(4) Represents costs incurred in connection with the acquisition of franchise-owned restaurants, expenses related to debt, secondary offering costs and, in 2024, an offsetting gain on release of contingent consideration liability.
(5) Represents insurance recoveries, net of costs incurred, in connection with hurricane damage, which were recorded in Other income, net on the Consolidated Statements of Operations and Comprehensive Income.
(6) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.
(7) Represents costs incurred for hiring qualified individuals. These costs are recorded within General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.
(8) Severance costs are recorded in General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.
(9) Represents the non-cash portion of straight-line rent expense recorded within both Occupancy expenses and General and administrative expenses on the Consolidated Statements of Operations and Comprehensive Income.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands)	JUNE 30, 2024	JUNE 25, 2023	JUNE 30, 2024	JUNE 25, 2023
Income from operations	$ 16,447	$ 11,343	$ 28,733	$ 26,674
Less: Franchise revenues	(3,104)	(3,713)	(6,245)	(7,151)
Add:				
General and administrative expenses	27,189	25,284	54,847	47,989
Depreciation and amortization	14,536	9,441	26,807	18,558
Transaction expenses, net [1]	725	1,744	1,394	1,997
Impairments and loss on disposal of assets [2]	153	299	272	433
Restaurant level operating profit	$ 55,946	$ 44,398	$ 105,808	$ 88,500
Restaurant sales	$ 255,457	$ 212,587	$ 494,765	$ 420,555
Income from operations margin	6.4 %	5.3 %	5.8 %	6.3 %
Restaurant level operating profit margin	21.9 %	20.9 %	21.4 %	21.0 %
Additional information				
Deferred rent expense [3]	$ 357	$ 280	$ 650	$ 814

(1) Represents costs incurred in connection with the acquisition of franchise-owned restaurants, expenses related to debt, secondary offering costs and, in 2024, an offsetting gain on release of contingent consideration liability.
(2) Represents costs related to the disposal of assets due to retirements, replacements or certain restaurant closures. There were no impairments recognized during the periods presented.
(3) Represents the non-cash portion of straight-line rent expense recorded within Occupancy expenses on the Consolidated Statements of Operations and Comprehensive Income.

Liquidity and Capital Resources

As of June 30, 2024, we had cash and cash equivalents of $45.1 million and outstanding borrowings under the Credit Facility of $196.3 million, excluding unamortized debt discount and deferred issuance costs. We had availability of $123.3 million under our revolving credit facility of $125.0 million, of which $1.7 million is reserved under letters of credit, and availability of $27.5 million under our delayed draw term loan pursuant to our credit agreement, as amended ("Credit Agreement"). Our principal uses of cash include capital expenditures for the development, acquisition or remodeling of restaurants, lease obligations, debt service payments and strategic infrastructure investments. Our working capital requirements are low due to our restaurants storing minimal inventory and customers pay for their purchases at the time of the sale, which frequently precedes our payment terms with suppliers.

We believe that our cash flow from operations, availability under our Credit Facility 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, or should we decide to pursue one or more significant acquisitions, it will be funded first through additional indebtedness and thereafter through the issuance of equity. Although we believe that our current level of total available liquidity is sufficient to meet our short-term and long-term liquidity requirements, we regularly evaluate opportunities to improve our liquidity position in order to enhance financial flexibility.

We estimate that our capital expenditures will total approximately $125.0 million to $135.0 million in 2024, not including the capital allocated to franchise acquisitions, which will be invested primarily in new restaurant projects and planned remodels. We plan to fund the capital expenditures primarily with cash generated from our operating activities as well as with borrowings pursuant to our Credit Agreement.

Summary of Cash Flows

The following table presents a summary of our cash provided by (used in) operating, investing and financing activities for the twenty-six weeks ended June 30, 2024 and June 25, 2023:

	TWENTY-SIX WEEKS ENDED	
(in thousands)	**JUNE 30, 2024**	**JUNE 25, 2023**
Cash provided by operating activities	$ 56,893	$ 55,583
Cash used in investing activities	(135,355)	(37,170)
Cash provided by (used) in financing activities	73,863	(1,245)
Net (decrease) increase in cash and cash equivalents and restricted cash	$ (4,599)	$ 17,168

Cash provided by operations is our typical source of liquidity used (i) to fund capital expenditures for new restaurants, (ii) to maintain and remodel existing restaurants and (iii) for debt service. Cash provided by operations increased during the twenty-six week period ended June 30, 2024 as compared to the twenty-six week period ended June 25, 2023 is primarily due to the increase in the number of restaurants.

Cash used in investing activities increased during the twenty-six weeks ended June 30, 2024 from the twenty-six weeks ended June 25, 2023 due principally to (i) increases in the number of new restaurants and capital projects into which the Company is investing and (ii) the acquisitions of 22 franchise-operated restaurants versus 6 in the same period last year.

Cash from financing activities reflects borrowings from the Company's Credit Facility to fund strategic acquisitions of franchise-operated restaurants.

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 2023 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

We are exposed to interest rate risk through fluctuations in interest rates on our debt obligations. On June 23, 2023, we entered into a variable-to-fixed interest rate swap agreement with two financial institutions to hedge $90.0 million of the outstanding variable rate debt. Under the terms of the interest rate swap agreement, the Company will pay a weighted average fixed rate of 4.16% on the notional amount and will receive payments from the counterparties based on the three-month secured overnight financing rate. On May 17, 2024, we entered into a variable-to-fixed interest rate swap agreement with two financial institutions to hedge an additional $60.0 million of the $196.3 million variable rate debt outstanding. Under the terms of the interest rate swap agreement, the Company will pay a weighted average fixed rate of 4.42% on the notional amount and will receive payments from the counterparties based on the three-month secured overnight financing rate. Refer to Note 8, *Interest Rate Swaps*, in the accompanying notes to the unaudited interim consolidated financial statements.

Except as described above, there have been no material changes to our exposure to market risks as disclosed in the 2023 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 or submitted under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Disclosure controls and procedures 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, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, 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 Identified Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements would not be prevented or detected on a timely basis.

Refer to the management report on internal control over financial reporting in Part II - Item 9A of the 2023 Form 10-K filed with SEC on March 5, 2024 for a discussion of the material weaknesses that continue to exist as of June 30, 2024.

Remediation Efforts

We continue to implement measures designed to improve the Company’s internal control over financial reporting to address and remediate the previously identified material weaknesses. To date, such measures include the following:

- Hired new and reassigned existing financial reporting, accounting, and information technology leadership with public company experience to enhance public company financial reporting, technical accounting, and information technology services and solutions.
- Augmented financial reporting capabilities by staffing professionals with knowledge and experience in income tax, internal audit, information technology, and legal.
- Established various policies, including a formal delegation of authority policy defining the protocols for reviewing and authorizing commitments, contracts, invoices, and transactions as well as a comprehensive set of information technology policies to govern the Company’s information technology practices.
- Formalized certain roles and reviewed responsibilities, including ensuring appropriate segregation of duties.
- Designed and implemented period-end financial reporting controls, such as controls over the preparation and review of account reconciliations, financial statement disclosures, and the consolidated financial statements, including controls around classification of cash flows and disclosure of noncash items, as well as establishing a formal management Disclosure Committee to review the draft financial statements and disclosures prior to release, including a sub-certification process from various functional groups.
- Enhanced access restrictions for certain users over general ledger journal entries and designed new processes to further segregate journal entry creation from journal entry approval authority.
- Designed and implemented controls over the accounting for income taxes to ensure the appropriate recording of deferred income taxes, income taxes and related disclosures.

While the material weaknesses previously disclosed have not yet been remediated as of June 30, 2024, management is devoting substantial resources to the ongoing remediation efforts. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies, or we may modify certain of the remediation measures described above. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, 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 12, *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 2023 Form 10-K, updated as set forth below, which update was first included in Part II, Item 1A., "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 to reflect that, due to Advent's sales of our common stock on March 12, 2024, we are no longer considered a "controlled company" under Nasdaq listing rules. 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.

The following risk factor has been updated:

If the ownership of our common stock continues to be highly concentrated, it may prevent you and other minority stockholders from influencing significant corporate decisions and may result in conflicts of interest. Although we are no longer a "controlled company" within the meaning of the rules of the Nasdaq, Advent will continue to exert substantial influence over us.

Advent indirectly beneficially owns approximately 45% of our outstanding common stock. Although we are no longer a "controlled company" within the meaning of the Nasdaq listing rules, Advent indirectly beneficially owns shares sufficient to significantly influence all matters requiring stockholder votes, including: the election of directors; mergers, consolidations and acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; amendments to our certificate of incorporation or our bylaws; and our winding up and dissolution.

This concentration of ownership may delay, deter or prevent acts that would be favored by our other stockholders. The interests of Advent may not always coincide with our interests or the interests of our other stockholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of us. Also, Advent may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to our other stockholders or adversely affect us or our other stockholders. As a result, the market price of our common stock could decline or stockholders might not receive a premium over the then-current market price of our common stock upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in a company with significant stockholders.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements:

During the fiscal quarter ended June 30, 2024, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

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

Exhibit No.	Description	FILINGS REFERENCED FOR INCORPORATION BY REFERENCE
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The financial information from First Watch Restaurant Group, Inc.’s Quarterly Report on Form 10-Q for the second fiscal quarter ended June 30, 2024, filed on August 6, 2024, formatted in Inline Extensible Business Reporting Language (“iXBRL”)	Filed herewith
104	Cover Page Interactive Date File (formatted as iXBRL and contained in Exhibit 101)	Filed herewith

* This certification is not deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates 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 August 6, 2024.

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 6, 2024

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 6, 2024

/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 June 30, 2024, 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: August 6, 2024

/s/ Christopher A. Tomasso

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

/s/ Mel Hope

Mel Hope
Chief Financial Officer
(Principal Financial Officer)