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First Watch Restaurant Group, Inc. (FWRG) Analyst/Investor Day Transcript

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First Watch Restaurant Group, Inc. (FWRG) Analyst/Investor Day November 12, 2026 8:30 AM EST

Company Participants

Christopher Tomasso - CEO, President & Director
Matt Eisenacher - Chief Brand Officer
Shane Schaibly - Senior Vice President of Culinary Strategy of First Watch Restaurants Inc
Laura Sorensen - Chief People Officer
Eric Hartman - Executive VP & Chief Development Officer
Ashlee Weisser - CFO & Principal Accounting Officer

Conference Call Participants

Andrew Barish - Jefferies LLC, Research Division
Todd Brooks - StoneX Financial, Inc., Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division
James Salera - Stephens Inc., Research Division
Xin Ying Lim - TD Cowen, Research Division

Presentation

Unknown Executive

Good morning, everyone, and welcome to First Watch's Investor Day. On behalf of Chris, Ashlee and the entire First Watch leadership team, thank you for joining us today, whether you are here in person or participating through our live webcast. We appreciate the time you have invested to learn about our company, our strategy and the opportunities we see ahead.

Events like this give us the opportunity to step back from the quarter-to-quarter cadence of earnings and share a broader perspective on how we are building First Watch for sustainable long-term value creation. Our goal today is to provide a deeper understanding of our business, our competitive advantages, the investments we have made and the significant runway for growth we have in the years ahead.

Throughout the day, you'll hear from the leaders responsible for shaping and executing our strategy. They will discuss the strength of our brand, the strategies for driving traffic and profitability, our unit growth opportunity and the financial framework that guides our decision-making. We value the ongoing dialogue we have with our current shareholders, our analysts and investors and prospective investors, and today's event is an important extension of those conversations.

I would also like to thank the many team members across the organization who have made these efforts possible. Investor Days require a tremendous amount of preparation and collaboration, and we greatly appreciate everyone's contribution.

You'll hear today from Chris, Matt and Shane, Laura first, then we're going to have a short break. On the other side of the break, you'll hear from Eric and Ashlee and Chris' closing comments. Then we're going to open the forum for Q&A. And afterwards, you are invited to First Watch for lunch on Boylston Street with transportation to the restaurant provided at the conclusion of our event.

Before we begin, please review the forward-looking statements disclaimer provided here in the room and on the webcast presentation. Lastly, management's remarks today will include references to various non-GAAP measures, including restaurant-level operating profit, restaurant-level operating profit margin, adjusted EBITDA and adjusted EBITDA margin, free cash flow and net leverage. Investors should review the reconciliation of these non-GAAP measures to the comparable GAAP results set forth in the Investor Day non-GAAP reconciliations presentation, which was posted this morning to our Investor Relations website under the News and Events and Presentations tab.

Before welcoming our Chief Executive Officer and President, Chris Tomasso, to the stage, we would like to first show you a short video on what makes First Watch so special. For those tuning in remotely, we will pick you up in about 90 seconds.

[Presentation]

Christopher Tomasso
CEO, President & Director

I think it's working now. I heard that pop.

All right. So back to where I was. I heard it again when fast casual emerged. I heard it during and after COVID. Meanwhile, during that same time, we've grown from a handful of restaurants to more than 680. Our AUVs have more than doubled. And at the time of our IPO, we had at least 28 consecutive quarters of positive same-restaurant sales.

Breakfast is not dead. Though the way breakfast has been presented to the consumer for decades, that's probably dead. The segment has been disrupted by us. It's true that our competitive set is going through a contraction. But as we intend to show you today, that is more related to our success and our growth as we have continued to take share and are now the clear leader in the daytime dining daypart.

Legacy family dining chains and 24-hour greasy spoon diners no longer offer what the consumer seeks when they enjoy breakfast and brunch. They seek freshness, healthy options, quality ingredients and a bright welcoming space and servers who truly enjoy what they do.

Daytime dining is a category that we've come to define. It distinctly centers on the breakfast, brunch and lunch occasions, serving customers from morning through mid-afternoon. I also can't tell you how many times over my 20 years at First Watch that I've heard a new up-and-coming brand in our space promise expansive growth only to see that fail to materialize. We've successfully built a meaningful competitive moat. And today, we intend to show how we plan to leverage that advantage to create significant long-term value.

All right. Now let's do a traditional opening. So good morning, everybody. I hope you enjoyed breakfast and the video. Welcome to our 2026 Investor Day. We're really excited to spend these next few hours with you. And on behalf of our entire leadership team, we appreciate your continued interest and support of First Watch. This is our first formal gathering since we went public 5 years ago. And looking back, we have so much to be proud of, but we're looking forward. And more importantly, we believe we have even more to be excited about going forward.

So before we start, I do want to just take a couple of minutes and ground us in what I consider to be the core tenets of our concept and what truly makes us differentiated and special. Our North Star is simple. We own the morning. Own the morning is not a catchphrase. It's a tangible framework that will ensure our market leadership over the long term. As we walk through our plan this morning, we intend to dimensionalize all 5 of these strategic components toward fulfilling this vision.

And the opportunity for First Watch is clear. 3 of the top 5 and 4 of the top 10 largest full-service restaurant chains serve breakfast and operate during the same hours we do. They also operate a lot more hours than we do. That's more than 5,000 units. And if you consider bakery cafe and other fast casual breakfast concepts, that number rises to nearly 9,000 and millions and millions of visits. This represents a significant opportunity for us.

Today, you're going to hear how we intend to create significant value by leveraging our position as a category of 1, offering a differentiated, highly relevant concept, consistently delivering exceptional experiences and scaling thoughtfully.

Daytime dining, a category we essentially created and have come to define, has disrupted a very large daypart segment in casual dining and continues to take market share. Since 2021, daytime dining CAGR is positive 9%, while legacy family dining growth is negative over that same period of time. It all comes down to relevancy and daytime dining is leading the way.

And while daytime dining is winning breakfast, we are winning daytime dining. We're the clear leader in the segment, both in terms of scale and performance. We are breakfast and brunch evolved, the new guard. Through thoughtful growth and strategic acquisitions, we currently own over 75% of daytime dining's current market share with an expectation for the segment to continue to grow and a clear path for us to continue to widen that gap.

Our unit growth since 2022 has significantly outpaced the broader category growth, which has experienced net unit contraction. Our strong pace of expansion underscores the competitive advantages of our brand and the disruptive nature of our business model. In fact, we're over 2x the size of our next 3 largest daytime dining competitors combined. And as we continue to grow, we believe we're well positioned to extend that lead.

Our highly differentiated concept centers around our 1 shift, 1 menu, 1 focus model. The advantage is in the simplicity. Our strong and authentic culture is grounded in our No Nights Ever employee proposition, which is virtually unmatched in the restaurant industry. We attract the best and the brightest, which leads to hourly and management turnover rates well below industry averages. We've been recognized among America's Top 100 Most Loved Workplaces for 5 consecutive years, including being named #1 in America in both 2024 and 2025. And not only were we the only restaurant that made the list in 2025, we took the overall top spot across all industries that year.

Culinary innovation is truly what separates us from the pack. Our sourcing philosophy is simply to Follow the Sun and focus on freshness. Our seasonal menus showcase the freshest in-season produce and premium proteins and together with our core menu offer craveable, Instagrammable dishes. Our well-earned health halo and reputation for fresh quality ingredients positions us well to take advantage of long-term consumer trends. Our kitchens don't have heat lamps. We don't have microwaves or deep fryers, and our dishes are made to order using elevated ingredients like cage-free eggs, organic mixed greens and more. These ingredients and the dishes they show up in resonate with the consumer. Together, these attributes create meaningful differentiation and a competitive moat within casual dining, but also within our segment.

Our success is built upon a foundation of operational excellence that's been a hallmark for us since our inception. We are operators first and foremost, and we're really good at it. This is achieved by employing a tight span of control and reflected in high Net Promoter Scores and long average tenure. For more than 4 decades, we've delivered consistent exceptional results through all kinds of economic environments. Our restaurant-level margins are durable and predictable. We're consistent. Our philosophy is if we can do it in 1, we can do it in 100. If we can do it in 100, we can do it in 1,000 and even 2,200. As we've seen before, sometimes scale brings with it compromise and compromise leads to deterioration, not here.

Hospitality is at our core. We open the door and say good morning. We greet the table with a pot of hot coffee. And our service philosophy is simple. If we can, we will, do what's right for the customer and you win. And we do all of this at an everyday value.

Our operational acumen has led the way for decades. One example, coming out of 2020, we had an ambitious vision to create a $3 million prototype, rethinking all aspects of the restaurant, including the site selection to start with, but also including host areas, back of house, patios, off-prem infrastructure, just to name a few. As you can see, from the past few years, we've achieved this vision almost instantly and never looked back. By 2022, we had our first $4 million restaurant. And in 2025, we cracked the $5 million threshold. And I want to remind you, we achieved these sales in one 7.5-hour shift a day and around an $18 per person average. When we say we're going to do something, we do it.

Eric will spend a bit more time walking through our AUV growth in more depth, illustrating both our current performance as well as future potential. And this performance extends to our entire footprint as our new restaurants continue to perform extremely well across geographies. Recent classes have exceeded our system AUVs and their underlying targets, which includes an IRR above 18%. In 2019, our third year sales target was $1.8 million. Today, it's $2.8 million. We have proven portability as our AUVs vary little from state to state and our top decile restaurants span 16 states and 27 DMAs. We have a robust pipeline with a clear vision to our targeted 2,200 restaurants in the U.S. Our 2027 pipeline is well developed, and we're already actively building the pipeline for 2028. We've demonstrated that our concept travels and our economics work.

Here's a fun fact that may surprise some of you. Our new restaurants opened since IPO have generated cumulative net sales of more than $1 billion. To put it another way, in 5 years, we've created a sales machine that comes close to rivaling the annual size of our system today and will operate for decades to come. We've delivered exceptional growth as a mostly company-owned system while strengthening the operating foundation that supports our next phase of expansion. We're proud of the size, scale and duration of our growth and believe it demonstrates our team's commitment as well as the deep love for the First Watch brand.

Our guiding principles at the time of our IPO were pretty straightforward, grow the footprint with discipline. We've significantly expanded the restaurant count while protecting unit economics, improving that portability; maintain our healthy restaurant-level operating margins across a rapidly growing system; invest in the brand. We're building lasting differentiation through marketing, culinary operations and hospitality; extend our lead in daytime dining, we're widening the competitive moat in the daypart First Watch essentially created. These principles set the stage for establishing our annual growth targets at that time.

I do want to take a few minutes now to just revisit our long-term annual growth targets we established in '21 at the time of the IPO and provide an update on our results against those targets. The headline here is strategy set results delivered. Again, doing what we say we're going to do has been a hallmark of our organization since its inception. Through 3 private equity partners and now 5 years as a public company, we've done just that.

So if you'll recall, back in 2021, our stated annual long-term growth targets were revenue growth in the mid-teens. We delivered 18.7%. Restaurant unit growth of 10% annually, we were spot on. We said we would leverage G&A, and we did by 110 basis points. We said we would have same-restaurant sales growth of 3.5%, and that's exactly what we delivered. We projected adjusted EBITDA growth in the mid-teens. We delivered above 20%. And while not a stated target, we grew our average unit volumes from $1.8 million to $2.3 million with new restaurants projected third year volumes of $2.8 million.

That track record is important context as we lay out the opportunities ahead and the plans we believe we can deliver during our next chapter of growth. We recently updated our annual growth targets with a specific emphasis on rebalancing unit growth, delivering same-restaurant sales and traffic growth and generating positive free cash flow, providing us with increased future optionality regarding capital allocation.

For 2027, we expect to open approximately 55 system-wide restaurants. We have a proven track record of opening new restaurants that perform well, and we will continue to grow meaningfully and with discipline. Same-restaurant sales growth of 2% to 4% with positive same-restaurant traffic growth net of transfer. We'll provide investors with greater transparency and visibility into menu pricing and the impact of planned sales transfer from our NRO growth. Total revenue growth of 10% to 13%, greater G&A leverage and 15% plus adjusted EBITDA growth, including a corresponding step-up in 2027. A clear path to positive free cash flow beginning next year and increasing in 2028.

Today, we're going to share what I call the rest of the story, how we intend to do that. You'll hear from the senior leaders in our organization who will outline the details of our underlying plans and strategies that give us confidence in our ability to deliver on those targets.

How do we intend to achieve these targets? Well, our first priority was to build the foundation to serve more demand and set the stage for this next phase of growth. We coiled the spring over the last 5 years, making the necessary investments to serve more demand. We invested in technology such as kitchen display systems, pay at the table, our waitlist management platform and our relaunched app, all the things you've heard us talk about for the past few years. We also focused on analog improvements such as dining room optimization and back-of-house efficiencies that don't get headlines. These investments drove greater throughput. We saw ticket times improve by nearly 20% with higher peak sales hours in our highest demand times. These learnings were also applied to our new restaurants, which shattered opening week records multiple times.

We also invested in our home office infrastructure ahead of the growth. Those investments are now behind us, and we now have a rightsized organization with optimized systems poised to execute against these plans, which will set the stage for greater G&A leverage.

Now and for the forthcoming years, we are executing against a playbook to create more demand and leverage our scale. We're focused on driving sales and traffic by, 1, investing more broadly in marketing, also by launching new products and platforms, creating new sales channels and continuing to leverage our culinary innovation and health halo, which appeals to almost every diet trend. We believe this combination of marketing, product innovation and the emerging channels will drive awareness, trial, frequency and traffic.

We've built the infrastructure to support significantly greater scale. The consumer landscape is constantly evolving and so are we. As you'll see today, our next chapter builds on our momentum and takes it to the next level through ongoing innovation and a refreshed strategy that thoughtfully balances growth and free cash flow generation to make us stronger and more efficient.

We've identified multiple levers to generate sustained growth, which we will share with you today, levers such as the new occasions, new platforms, as I said, deeper investment in marketing that allows us to stay more top of mind with our core consumer, continued thoughtful unit growth, a quicker path to mature margins in new restaurants and improved G&A efficiency. We're better positioned than ever to achieve our growth targets through a combination of scale, white space and competitive landscape. And having broad consumer appeal, our concept lines up extremely well with long-term consumer trends, just as it did at our IPO and just as it did when the concept was founded back in 1983.

As importantly, we have the team to deliver the next chapter. If you followed us for a while, this roster should look very familiar to you. It's essentially the same team that led us to and through our IPO and was only strengthened by the addition of Ashlee, who was recently named our CFO, but has been a big contributor for us for more than 3 years. And you're going to hear from each of them today.

Matt Eisenacher, our Chief Brand Officer, will share his insights on our customer and our brand positioning as well as plans to create additional demand. Chef Shane will provide an update on our core menu evolution and our culinary positioning and will speak to how innovation creates excitement and ensures long-term relevance. Our Chief People Officer, Laura Sorensen, will provide a look into our people and our culture. Eric Hartman, our Chief Development Officer, will share how he and his team continue to find, build and deliver new restaurants that meet or exceed our underwriting while successfully extending the brand into new markets. And finally, Ashlee will provide dimension to our plan with visibility into the underlying components and our expectations.

So thanks for being here this morning. With that, I'd like to invite Matt up to the stage to kick us off.

Matt Eisenacher
Chief Brand Officer

Thank you, Chris. Appreciate it. Good morning, everybody.

I tend to be -- for those in the room, I tend to be a little bit of a walk and talker. So I'm going to do my best to stay out of the way of the slides. But I have to tell you that in listening to Chris from over there tell the First Watch story, I've heard him tell that story for years. But even still today, it tends at least for me to put a lot in perspective. First Watch is a very special brand. There's not many times you find a brand that means so much to people, but then also performs. So I'm humbled to stand on stage ahead of you to talk a little bit more about our brand, who we are, what we believe and of course, the strategies we will employ to continue to evolve with the landscape around us and to create more demand.

So I'm going to start a little bit like Chris and start at the top. And I'm not going to belabor this. I know he talked about this, but this is to say we are the leaders in breakfast. Yes, there are brands that have more restaurants, but they serve 4 dayparts and they have lower AUVs. So for context, pound for pound, during daytime hours, there is no one at scale that serves more breakfast and brunch than First Watch.

And of course, like Chris said, this is partly due to the fact that we have helped pioneer daytime dining. And I think we've well established what daytime dining is. It's a better-for-you breakfast, but something that has brought relevancy and a perspective on culinary to an established occasion. And it's those 2 things, relevancy and a perspective on culinary, that has attracted new customers. I think we can all agree that if we were in this room 10 years ago, we'd be talking about breakfast as an old person's occasion. That's not the case today. But the innovation and the vibrancy that daytime dining has brought has attracted new generations, especially younger generations that dine out more often.

And I could show lots of different metrics to show our leadership in breakfast, but I thought this did it most simply. This is recency of visitation with First Watch leading the way ahead of the rest of daytime dining and legacy family dining that Chris mentioned earlier.

So let's talk a little bit more about our customer. I think we've talked about this over the years that the good news is that both breakfast and First Watch are very, very broadly appealing. Who doesn't love a good breakfast? But at the same time, we own a bit of a unique niche within breakfast, skewing a little bit higher income, which we think is great because it insulates us to perform in any economic environment and then skewing a bit more towards the millennial generation, and we've been continually pleased to see the continued broadening of our appeal in our customer.

I think we all know that it's not about demographics, though. It's about what our customer values and what they see as important. And simply put, our customers appreciate great food, quality, they seek it out, and they're willing to pay for it. We tend to attract or lean towards brands a little bit like Trader Joe's and Whole Foods, and we love that because it shows that we tend to attract a little bit more of a discerning customer. And you can see this in lifestyle choices as well. For those people that are more intentional about their days and the choices that they make, the dark green bar shows First Watch over-indexing in virtually all of these dimensions, again, showing that we attract a more discerning customer.

So I want to take a minute and shift from health and lifestyle choices to convenience. And before I shift ahead, I want to -- I think we all know that we are now several years removed from the COVID pandemic where we've been able to witness the vast amount of change, and that is true for breakfast as well. I'd like to remind everyone that prior to 2020, delivery did not exist really within breakfast. It was thrust upon us, but it existed in the rest of the industry. And some of you might remember that the prevailing thought at that time was that there's 2 different customers. There's a dine-in customer and there's a delivery customer, and that's just not the case.

And so I love this slide, I want to walk you through it. The universe of people here are heavy delivery users for breakfast and brunch. It doesn't matter the brand, just heavy delivery users for breakfast and brunch. And what this shows is if you are a heavy delivery user for breakfast and brunch, you are overall just a heavy user of First Watch, dispelling the idea that it's 2 different customers and instead, uncovering the reality that eating occasions have just become more dynamic. It's not 2 different people. It's one person with varying needs. It's different times. And so as the leaders in breakfast, which we've well established, it's our obligation to show up for all of these relevant occasions. And what do I mean by relevant? As long as we can stay true to quality and fresh and follow the sun.

And the stat on the left side here, I almost didn't believe it when I saw it, but it's from the National Restaurant Association State of the Industry report last year, showing that 35% of full-service traffic is now off-prem. It's a sign of the times. And so if this is the strategic skeleton, so to speak, then this is the meat on the bones, and Chris talked about this. This is our North Star on the morning. And so there's 2 things I want you to take away from this. Number 1, show up for all of those relevant daytime occasions. And number 2, the people that appreciate great mornings are the people that are more intentional about their day, about what they eat, but also how they move about moving as well. So an active lifestyle. So whether it's running, walking clubs, pilates, yoga, even golf. These are the moments and the people that we need to continue to show up for.

So let's walk through our strategic framework, and this is the guide that I'm going to walk through with the rest of our time together. I'm going to start on the left side with demand generation. This really encompasses all the efforts we have made and the investments we've made over the past few years in paid demand generation, talking about what's worked and how that will scale in 2027 and beyond with the purpose of not only growing awareness, Chris mentioned it, and I'll talk a lot about it, is relevancy as well.

Number 2, a little bit newer also is growing occasions. We're excited to introduce a new platform today called Sun on the Run, which I'll get to shortly. But then also the near-term to long-term opportunity and accommodating weekday group ordering occasions with our current menu into future years and building -- catering capabilities with the intent of continuing to drive frequency and traffic.

And then, of course, the engine that drives it all, culinary innovation. I'm going to invite Chef Shane to talk about this, but I'd encourage you not to think about culinary and marketing as 2 different things at First Watch. We're really joined at the hip, and we always want to tell our brand story through the lens of our differentiated menu.

So let's shift to demand generation. I'd like to remind people that we are only in year 2 of investing in paid demand generation at First Watch. And I get the question a lot of, well, what channels are you investing in? And I would say, well, it's so new that we're investing in testing in all of them because different things work for different brands. And I think our consistent investment across the last 2 years has allowed us to understand what's working from a traffic standpoint, but then also what's been effective from an ROI standpoint, and I'm going to walk through those.

But the good news is that in the markets where we have deployed our full media strategy, not just individual tests, that we've continually seen a meaningful lift versus those markets where we have not. We've also seen this translate into growing brand awareness. We talked about this that historically, we know we've been a word-of-mouth brand. This time frame that you're seeing up here is really encompassing the full time of our investment in paid demand generation. And you can see a very healthy increase, and this happens to be aided awareness. But more importantly, a continual proportional growth in those other funnel metrics. Again, as we're growing awareness that we're doing a very good job converting as well. And you can see on the right side, how we stack up to not only other restaurant brands leading the majority of the breakfast daypart, but then also in line with many of the aspirational brands that we track outside of the breakfast daypart as well.

So I want to start with 2 areas where we've seen good success that we will expand investment. I'm going to talk a whole lot more about TV and video, but I want to quickly touch on paid search. Just to clarify, when I talk about paid search, I'm talking about unbranded terms, okay? So this is still top of the funnel discovery. And I've been here 8 years. When I joined, it took us about $8 to get a visit out of paid search. That's not very good. We've gotten really good at this, and we've driven this down to about $3. It takes us $3 to get a visit. We consider that a very attractive investment. And we know there's runway as well because the searches that we prioritize, we're only at about an 11% impression share. And we believe the sweet spot for intent effectiveness and visits and then also ROI is around 20% to 25%. So in 2027, we'll be taking many of our larger markets and moving them to that investment level.

TV and video, you've heard us talk about this. This is a really, really important one because it allows us to grow top-of-mind awareness, but equally as important is it allows us to tell the First Watch story, and I said it's a special brand. That and good morning, there's a lot to talk about. And so video allows us to do that. And so these are channels such as streaming TV and YouTube, where we tend to target a little bit younger. But then also, as we said last week, the addition of local linear broadcast, which we have seen very promising results in tests that I'm going to talk about. But then also that linear TV also showing efficiency and CPM as low as $4 to $5, which is quite good.

So let's double-click into that a little bit. We talked about starting in one of our largest markets. Well, that market is Dallas-Fort Worth. I said it's one of our biggest. It's also one of our fastest growing. It's also just working in many brands. It's one of the most difficult markets to break through. It's big, it's competitive, it's expensive. It's tough. And so we just decided that in 2026, we were going to double down because of our growth in that market. And so in addition to the media mix I talked about earlier, we added local linear TV, and we saw the results, leading to outsized performance in a market where we really had a tough time driving top line with our growth, we saw outsized performance versus other control markets.

So what I wanted to do is show you a little bit of the creative. For all intents and purposes, this is essentially our first 30-second spot. And by design, it's meant to be an introductory First Watch 101. So who we are, what we do and of course, associating First Watch with breakfast. Admittedly, it's a bit of a brick-to-forehead strategy. So I'm going to hit play just when I play some videos. Once I say go, it's going to take about 5 seconds to catch up with the webcast. So just give me a few seconds.

[Presentation]

Matt Eisenacher
Chief Brand Officer

So obviously, like I said, a very traditional spot establishing who we are. I think what we get excited about is while this helps establish us as breakfast that there's many layers to the story. And we get really excited over the next few years to really. So obviously, like I said, a very traditional spot establishing who we are. I think what we get excited about is while this helps establish us as breakfast that there's many layers to the story. And we get really excited over the next few years to really tell the story and take this to much more of an emotive place.

But moving to another area of increased emphasis and investment is influencers. I hope I don't have to convince anyone of the influencer economy that's here to stay, and it's a real thing. And so this is not just an area to drive awareness. But what's also equally important is relevance. If you remember, I talked about the importance of Gen Z and millennials. This is the way they live their lives. This is the way they consume content. So it's very important to make sure that our brand is showing up in this capacity. And you can see at the top year-to-date, driving 62 million views and a unique reach of 41 million, so meaningful.

And so what I wanted to do was show you a little bit of the content and how we show up here. And so this is about a 90-second matchup.

[Presentation]

Matt Eisenacher
Chief Brand Officer

I thought about copying the dance for you all, but I'm going to spare you a little bit. Obviously, a lot of fun. But when we work with these influencers, we like to think of how we can use this content to continue to fuel the rest of our media units. And so when we work with them, we actually contract the right to use this in other media units. And so I showed you a more traditional 30-second spot. And so we actually use this to create more of a user-generated content, 30-second spot that speaks a little bit more to younger audiences. Let's take a look.

[Presentation]

Matt Eisenacher
Chief Brand Officer

So obviously, a very different feel. We talk about it a lot. It's about the right message to the right audience. And so this is one we tend to use in a little bit more streaming capacities when we're targeting younger audiences.

But this area of influencers is -- it's been dizzying the way this has evolved over the last few years. A couple of years ago, it was about -- started with endorsements. You find people that love you and you give them a microphone and let them tell your story. Now we all know it. They're essentially media units. These influencers' lifestyles are fueled by brands, media budgets, and that's okay. It's effective. But what most recently we're seeing is this kind of evolution from influencers to creators. And so they're now handling everything from concepting to creative to messaging to production. And now there's more and more marketplaces that are connecting brands at scale with these creators.

And so with that in mind, that's why last week, we were really excited to introduce our partnership with TikTok. They approached us several months ago to launch a new platform, which is a large initiative for them in the United States called TikTok Go. I don't know how many people are on TikTok, but TikTok Go is essentially the TikTok Shop, but made specifically for services, so hospitality, leisure and restaurants. And the whole idea, the intent is to promote local discovery through local creators. So a lot of what happens on TikTok is very macro. Their focus is really getting more local with more local creators. And I can tell you, while there is an opportunity to drive sales, which is great, what we are more excited about is the sheer magnitude of the brand exposure that's estimated for us once we scale this up after pilot, and we just started in pilot this week. We'll be working on this with them over the next few months. They're learning, we're learning. We'll build up and then we'll have a more formal launch as we get closer or into 2027, we'll have plenty more details. But I want you to keep in mind, this in mind because I'm going to talk about in a little bit how this will merge with another strategic platform that we'll be launching next year as well.

All right. Another fun platform that's in development. I'm very excited about this one. It's called Morning Makers. And if you remember, I talked about relevancy and needing to bring relevancy to the morning meal occasion in First Watch, and that's what this is all about. So I talked about own the morning, the people that champion an active lifestyle. That's what these individuals are. It's a curated list of creators that have large and very rapid social media followings that we are going to partner with, we are partnering with for 2027. And so I want to give you a flavor for each one, if you can humble me.

I just want to give you a couple of cliff notes on each one to kind of illustrate the strategy. I'd also encourage you to look any of them up to show they all have great, great content. [Jenna Palek] has a large following on TikTok, entrepreneur has a lot of different ventures, but one of them is called Bar to Brunch, and it's what it sounds like. She goes to high-profile locations across the U.S., holds bar events and then shifts with the attendees to a brunch event. You can automatically see a natural fit. Along with all the content we'll do with her next year, we're actually doing 2 -- we're hosting 2 bar events in St. Petersburg, Florida in February with her -- one of them will be to her followers, and they usually sell out in seconds. And the other one will be opened up to our insiders as a perk for being a First Watch insider. So we're really excited for that.

Number 2, Mallory Ervin, huge First Watch fan, lives in Nashville, Tennessee. Amongst many things, she created a brand called In My Sundays. I encourage you to look it up. She does these exclusive drops throughout the year of high-end [pajamas]. And so we are partnering with her. She is actually going to do an exclusive drop. She's so much of a fan, an exclusive drop in the spring for breakfast in First Watch. We'll be making some of those available to our insiders, but then also co-hosting an event in downtown Nashville during CMA Fest to launch these pajamas.

Third, Isaac Rochell, really cool story, former NFL player. He got his content journey started by -- he wake up early in the morning, start his day working out, take care of himself. He's a big fat guy. So before his kids woke up, he would work out and he did content around this and all of these men started wanting to do this with him. So he created something called "Garage Dads," and it's now started to get a lot of notoriety, was picked up by Good Morning America. And so he's building chapters throughout the United States. He actually just launched recently. We're working with him in 2027 to expand that throughout the United States.

Lastly, Gabby Golf Girl has a large following across YouTube and TikTok. She was just featured by Forbes. Her content gets about 300 million monthly views. She's 19 years old. She was looking to go pro, but realized she could make more money as a content creator. I encourage you to look up. She just has great content, something you just want to continually watch. She also talks about being openly very Italian. And we have a very special sandwich we're launching in the spring called Italian Stallion. And so we see a really cool opportunity for collaboration around that.

Okay. We're going to shift gears from demand generation to growing occasions as well, bringing together 3 large areas: native group ordering, Sun on the Run and corporate ordering.

Now I'm going to start a little more near term. Many of you might remember last year, we relaunched our app experience, our waitlist and our ordering. If you haven't downloaded it, I recommend you do so. And so we continually look for new ways to make First Watch more accessible. And so group ordering is new for us. And so let me give you the scenario. You're at your office, your office wants to order lunch. You've seen this probably before in third-party apps. You can send out a link, it goes to everybody. They can customize, do their own order, it goes into one bag, one payment method and goes into the restaurant. So while this isn't maybe novel in the industry, it's novel for First Watch because for context, we have never accommodated large group ordering. We just weren't built for it. But Chris mentioned all the investments we've made in serving more demand, and this is one of the positive byproducts of this that now we are able to handle this to drive incremental weekday sales.

And because our kitchens are building this acumen and building this muscle, it also allows us to join some of those third-party corporate ordering weekday marketplaces like ezCater and there's many others. Virtually every brand is on there. We have not been, again, going back to the group ordering capability. And so we've been testing this and the intent is to continue to roll this out throughout 2027.

The opportunity is clear. We know that weekdays are -- there's many occasions to be had. It's a high-capacity daypart for us. But I think we want to be very careful that we're navigating this opportunity and going after it by understanding how people's weekday routines have evolved. And we truly see there is a gap in the market. It's kind of pushed out on 2 sides. So on the left side, you have fast food, trying to get to the lowest possible price point. You got $4 to $5 gas station bundles, and there's a recent fast food players that talk about adding $1.50 menu items for breakfast. I mean you get affordability, but you don't really get the quality. That's the trade-off.

On the right side, we talked about daytime dining and full-service breakfast, you get culinary exploration, you get service. But at times during the week, you trade off convenience. And then you all know beverage-led coffee players are working aggressively to get you to have your check and grow your check. And we all know what that looks like if there's sandwiches, the frozen egg pucks, put it in essentially what's a microwave and sometimes it's not even fully warm in the middle. So you're not really getting full quality, and it's not really that affordable.

So I think the opportunity is here, what if we could bring First Watch quality to the weekdays for an incremental weekday occasion at a very attractive price point? And so we're very excited to introduce to you Sun on the Run. Sun on the Run is all about bringing real ingredients and First Watch quality and made to order to the weekdays. So this menu is Monday through Friday only at a fantastic price point of $9.99. You can see made in our kitchen, not in a microwave. This will be an app exclusive for us. Again, I talked about building our first party and our app experience. This continues to build on that investment. Don't get me wrong, we'll advertise this throughout our entire ordering experience. So even if you're on mobile web, we have great technology now that allows you to deep link directly into the app and order to make it really easy.

There also will be broad availability. So over the past few months, we've already been testing this with DoorDash. We've been very pleased with the results we've seen, hitting our benchmarks. But then most encouragingly, it's the feedback we've seen from the customers and the fact that as we saw initial trial, every single week and month, we've seen a progression into increased repeat, which we think is a really good sign. And so again, I mentioned available on our app as well, and then we're continuing to talk to Uber as well.

You want to see the lineup. Okay. So 3 sandwiches, 3 burritos. These are really designed one to be a little bit more flavor forward, one to be a little bit more health leaning and then, of course, one right down the middle. And as you wouldn't be surprised, I'm sure the 2 best sellers are the ones right down the middle, you have The Banger and The Main Character. I mean with The Banger, you have avocado mash and bacon, Cheddar cheese, folded egg and a toasted brioche bun. These are by design meant to be simple, but high quality. And so we're really excited about this opportunity and the opportunity to drive incremental sales during the weekdays.

So I want to give you a little bit of a glimpse into the ordering experience. So this will have a full dedicated section. You probably can't see it, but in the bottom left, there's a whole section within our app that will be called On the Run. It will be advertised throughout the rest of the menu, but we think it merits its own area. So even when you're ordering on Saturday and Sunday, this will still be available to show you not to order, but to show you that this is a thing for the weekdays to raise awareness behind it.

You can see we've also built the capability to make any of these items a bundle to trade up to a standard beverage or add a fresh juice. And then we have built the technology to allow curbside pickup. I want to be really clear, we're not launching with this because we really want to make sure we do this the right way and stay true to our core occasion as well. But to us, this is another gear for growth as we find restaurants that are able to accommodate that increased convenience.

All right. I want to leave you with a bit of a fun one. This is something not quite done yet, but just to illustrate the strategy, we as marketers, we always think about how we message things and how we position things. And so our insight here was people's weekday routines have changed. And why is that? And I've used the example several times like when I was a kid, my mom before I go to school would always make sure that I sat down and pay when had a really big breakfast because she was -- she always claimed that was going to dictate the success in my day. And so we asked ourselves, well, why are weekday routines changing? And we said, well, because your mom, your mom is not there telling you exactly how to get a proper breakfast in your belly. And so what better way if we can continue to work with what would be considered America's mom? And I said we're still talking with her, but what if she had 2 sons that was involved in the NFL, maybe one retired, maybe one active, maybe that one that's active was married or had a long-term relationship with one of the biggest pop stars on the planet? And so I think you can see how this would be a really clever way to demonstrate the value proposition for Sun on the Run, but then also have a really clever creative breakthrough as well.

So we have talked through 2 of the strategic pillars, but I want to invite Chef Shane to talk a little bit more about culinary innovation.

Shane Schaibly
Senior Vice President of Culinary Strategy of First Watch Restaurants Inc

Was that for me or was that for Matt? It's important, you guys. Thanks, Matt. Good morning, everyone.

Here at First Watch, we've built a disciplined and collaborative culinary innovation engine that makes our brand distinctive while also delivering measurable sales and margin growth. We work hard every single day to solidify our spot at the front of the pack and ensure relevance for years to come.

For us, menu innovation is not a separate initiative. It's embedded in how we source ingredients, operate our kitchens and bring our teams together. When we talk about the First Watch experience, we're talking about something more than what ends up on the plate. It begins with how we source, continues with how we operate and always involves how we collaborate internally. We push the envelope on quality and the creativity of some of the items that we make and execute on a daily basis.

There's really 2 important distinctions. We're the only restaurant of our size that can still do this at scale, and it's only possible through 360-degree collaboration where culinary works shoulder to shoulder with the other teams and business functions in our organization. So I know some of you will be dining with us a little bit later this afternoon, and you get to experience all of this alongside us. But I'd be remiss not to touch on it here.

As Chris mentioned, seasonal produce is sourced at its peak with fresh produce being -- 3 to 4x -- every single restaurant in our system. Every First Watch operates without microwaves, deep fryers or heat lamps and fresh fruits and vegetables are sliced and juiced daily. Entrees are made to order, not because it's the easy way, but because it's the right way. Behind that freshness is a highly intentional operating model, including ingredient cross utilization, low single-use SKUs and kitchens designed to handle fresh food at high volumes. Innovation only works if it can be executed consistently. Our culinary ideas and operations have to work hand-in-hand -- and inception to daily execution. That operating foundation gives us the freedom to innovate, but also requires the discipline to be productive.

Earlier this year, we [redesigned our] menu for the first time in 10 years. It's [a long] cycle, but I think you guys probably remember what happened in 2020. Nevertheless, in February of this year, we launched our new menu. It's in front of you for reference, so you can look through it. The idea behind that was to strengthen, encourage incremental purchases and create more higher-margin sales opportunities across the board. So it wasn't innovation for innovation's sake. We created items that the customers want and that improve the overall economics of the entire menu. We adjusted the color scheme and the layout and repositioned some of our top performers and higher-margin items to maximize their visibility as well as brought some optionality to the menu to ensure our customers could get exactly what they were looking for every single time they dine with us. The goal was to make it more -- and also keep it operationally efficient.

At the same time, we're able to accommodate a rapidly growing industry-wide push for more protein on restaurant menus. So without creating new menu items, we went in and quickly identified over 25 existing items on our menu that had 30 grams of protein or more and simply called them out on our latest menu print this fall.

That same discipline [carries over into how we've] developed a repeatable formula for creating excitement. We work hard to use familiar menu formats as platforms for new flavors and then apply a rigorous testing process before launching these system-wide. So each seasonal menu follows a pretty consistent architecture that targets a shareable, 3 entrees, usually including a hash, a handheld and then sweet indulgence item and, of course, a fresh juice. The formats are -- what gives customers a fresh reason to return. Our testing process gives us that space to be creative without gambling on unproven ideas.

Every season begins with about 50 to 60 ideas in the initial pipeline. Then our team narrows that down to about 12 to 15 for a 2- to 3-month evaluation, refine recipes, try different ingredients, that kind of thing. 5 items then move into a 10-week test across about 25 restaurants, and pending a successful test, that final menu launches to the entire system the following year. That rolling innovation pipeline operates 12 to 18 months ahead. And so that menu that you'll see later on today in the restaurant and what you have in front of you says holiday, that was actually at the top of this funnel back in February of 2025. So by the time an item reaches the restaurant system-wide, they survive multiple rounds of evaluation, real-world testing. And then if on the rare occasion that something doesn't test well, we do have a substantial bank of recipes to pull from, and we can ensure that we pull a high mix or high-margin item to fill in that spot when it goes national.

So that result is not simply a stream of new products, but the quality of the innovation is consistently improving over time. Our strongest seasonal items are reaching higher mix levels and the broader LTO program is becoming more of a meaningful part of sales. Back when we initially introduced the seasonal menu, anything that mixed like 2.5% or [better] was considered great. So if you see up here, the highest of 2016 was a Pot Roast Hash. It did 3.2% mix. We are pumped. Chris and I are high-fiving each other. We're talking about it. I can't believe it hit that number. And then you look over here, Chimichurri Steak & Eggs Hash in 2026 did 7.1%. So for context, our core menu hash, which is the top-selling one of the Farmhouse, mixes at 3.7%. And then favorite for us, Avocado Toast mixes at 3.9%. So to see LTO hashes doubling those numbers is pretty incredible news.

Menu innovation obviously keeps us relevant. Matt talked about legacy brands not evolving and our seasonal menus give us news and keep employees excited as well as driving higher margin sales mix. National LTO mix [grew from] 12% in ['22] to 16.9% at the end of P8 in '26. As our process has matured, our seasonal menus have become way more productive. Customers are not only trying these items, but the LTOs are becoming a larger part of what they order and why they keep coming back. And then right when we think we've hit our peak, we just keep on going. So earlier this year, we set the record for our highest mixing national item in winter of 2026 and then beat it the following season. So the same exact thing is happening in our test market, but the numbers are even higher, meaning we're already set up to break these newly set records in 2027. Our legal team said we had to blur [them out]. So I don't know what they are, but they look like they did pretty well.

Basically, that testing process gives us 5 regular opportunities every single year to try new items, to introduce innovation and to identify those items that have the potential to strengthen both mix and margin. The value of that system is especially clear when we look at platforms that have become established parts of our First Watch experience over the years. Our fresh juice program demonstrates how operational differentiation can also create an attractive incremental revenue stream. We built this program in 2015 and have evolved it several times over the years. It now features 3 core juices and 1 seasonal juice, which launches every 10 weeks. The average of those 4 juices altogether is around 11% for the core and then between 3% and 6% for the seasonal juice.

Just like our overall seasonal menu, we continue to grow juice year-over-year. For a little perspective, orange juice commands less than 5% PMIX on an annual basis. So to have a specialty juice program that triples that number and growing, all at a higher margin rate is always a good thing. And during our break in a few minutes, you'll get to try a Kale Tonic, which is juiced fresh this morning, just like we do every morning in about 700 restaurants across the country.

Shareables apply a similar principle, but address a different part of the customer occasion. We view it as an incremental purchase opportunity that fits the social nature of breakfast and brunch without traditional meal courses. If you think about our peers, you guys want to see shareables. So if you think about our peers with the dinner daypart, they have multiple opportunities to upsell the customer, right, into things like appetizers, alcohol, either cocktails or wine and then desserts. But at breakfast, those add-ons are a lot more difficult to come by or simply do not exist. So we had to get creative and come up with something to capture those extra dollars.

Historically, our most popular shareable has been Million Dollar Bacon, which debuted in 2017 and then hit the core in 2019. And it's an item that's become ubiquitous at First Watch. But recently, our shareable category has taken the form of things like Holey Donuts, cornbread and cinnamon rolls. You'll actually get to see our Caramel Apple Cinnamon Roll later this afternoon. And earlier, I told you that we're setting and breaking records regularly with our seasonal entrees. For us, shareables are doing the same thing. We've grown PMIX steadily over the last several years, and it's a good example of finding growth within the natural rhythm of First Watch rather than trying to force a traditional restaurant model into our breakfast space. The platform gives the table a little something extra, usually just a sweet bite to enjoy while still enjoying the regular entrees.

Fresh juices, shareables and seasonal menus may look like different programs, but they're all powered by the same underlying capability. Our innovation advantage gives existing customers new reasons to return while creating approachable entry points for first-time trial. Culinary creativity must work alongside sourcing, supply chain, operations, marketing, finance and training. And the product has to taste great, but also has to be sourceable, trainable, easy to execute, exciting to market and financially productive. That collaboration gives us confidence not only in what is working today, but also in the pipeline ahead.

So what's next for us? We will continue to deliver exciting relevant food and beverage flavors in familiar approachable formats that keep the core menu accessible. Our job is not to chase every single trend that pops up, but instead to stay ahead of emerging trends and use our testing pipeline to separate passing fads from ideas that are distinctive, right for First Watch and operationally sound. We're determined to keep raising a performance benchmark for new menu items, creating excitement while protecting the fundamentals that make our menu work.

At the end of the day, the First Watch difference is the combination of fresh, made-to-order food, disciplined operations and a collaborative innovation engine. Together, those strengths allow us to create menu items that customers are excited to try, restaurants are prepared to execute so that our business can grow profitably. But honestly, none of that can happen without our people. Great food creates the promise, but it's our people who consistently deliver on the experience.

And now I'd like to hand it over to our Chief People Officer, Laura Sorensen.

Laura Sorensen
Chief People Officer

That was still definitely for you, Shane. All right. So you've heard the strategy, you've seen the food. But of course, it's our people who bring it all to life. They're at the heart of our You First culture, and they're the reason we've been named the #1 most loved workplace in America twice.

Now I could talk to you about our culture and our people for a very long time. But instead, we'd rather have you hear directly from them. So I'm going to show you a short video now. It's nothing fancy, nothing scripted. Instead, I just went to 1 of our restaurants with a local videographer and then asked some of our employees to tell us about their experience. And here's what they have to say.

[Presentation]

Laura Sorensen
Chief People Officer

So these are the people who make First Watch, First Watch. And we've built the people programs and the operational infrastructure to continue to attract, develop and retain more great people just like that so that we can ensure that we're bringing our award-winning culture to every new restaurant we open and maintain it in our existing ones.

We're excited for you to get a taste of that culture and of course, our food at our Boylston restaurant later this afternoon. But for now, we will take a 15-minute break. Thank you.

[Break]

Unknown Executive

Welcome back, everyone. Thank you for joining us on the webcast as well, and thank you for staying with us here.

Before the break, we talked about the brand and how we will own the morning. Now we're going to look at how we take that to more communities, one restaurant at a time. It's my pleasure to introduce Eric Hartman, our Chief Development Officer. Eric?

Eric Hartman
Executive VP & Chief Development Officer

Good morning.

When we went public 5 years ago, we shared a straightforward growth plan. We understood that First Watch has a differentiated brand, compelling economics and a long runway for expansion. We were highly confident in our ability to execute upon our plan. 5 years [on,] we've consistently delivered. We've delivered on the growth -- indicated. We [have grown] across geographies and all while building an even stronger development engine. We own the morning from a development perspective, scaling the model by bringing First Watch to more communities with the right real estate, compelling economics and the discipline to grow with [purpose].

Today, we'll cover 3 primary points: our successful delivery on the growth communicated at IPO. Second, why we continue to see a substantial runway to our 2,200-plus restaurant potential domestically. And third, that our confidence is even higher than ever because the model keeps proving itself.

We had estimated an annual unit growth rate of approximately 10%. We've delivered, achieving an annual unit growth rate of 10.1% from 2022 to 2025. We've opened over 150 net new restaurants in the last 3 years alone, and this year is no different, where we've opened 56 to date, moving toward 62 at the end of the year.

Growth has been a part of First Watch for decades. The significance isn't just in the unit count, but in our ability to grow and scale repeatedly and successfully over time. Steady growth. Our growth has been steady over the years from operating in 5 states in 1991. Fast forward to our first private equity partnership in 2004, 10 states in 2011. And from there until now, we've consistently grown by over a state per year on average. Our strong and steady growth model has proven to be a winning strategy over time, where we are today, at the end of the third quarter, 681 restaurants across 33 states.

First Watch travels. As we've strategically balanced our growth over various markets and states, we've continued to perform in a consistent manner. Our teams have delivered upon our planned sales, traffic and profit expectations across the country, which continues to validate that First Watch performs exceptionally well across a wide variety of markets. Thorough new restaurant opening success. The average sales performance for each of our recent vintages has exceeded that of the comp group. We evaluate the performance of each restaurant, each market and state and each vintage, which sets up the next class of restaurants to be even better.

In addition to our consistent performance across geography and over time, we're continuing to see high ceilings, higher ceilings with our new restaurant openings, which we call NROs. A common question is whether a restaurant quality deteriorates as the system grows. Our experience has been the opposite. Our growth model, especially our real estate quality as well as our design infrastructure is resulting in the sales and traffic of our NROs continuing to grow over time, often to heights not seen before.

The sales volume of our highest-performing restaurant has doubled since 2018 and over 2/3 of our restaurants with sales volumes above $3 million come from the 2018 or newer vintages. Additionally, in 2021, we had 1 restaurant that was over that $3 million in sales. Four years later in 2025, 58 such restaurants. We aren't just adding restaurants. We're adding high-quality restaurants and higher sales and traffic translate into stronger restaurant-level profit dollars. As we add more high-performing restaurants, we continue to raise the productivity of the entire system. And as a result, our returns remain above our targets despite the increase in capital expense.

Our NROs are generating exceptional volumes. Build-out cost inflation has been largely offset by sales continuing to increase. And as a result, our returns remain attractive and above target. Importantly, the economics travel across states and markets, validating the national opportunity. Applying mature margins, our current vintage will enjoy well over 30% higher profit dollars than what was anticipated for our 2021 vintage. That's important because it means our runway isn't dependent on accepting below-target returns to sustain growth. We're growing the restaurant base while preserving the targeted economics that makes that growth valuable.

We spent the last few minutes addressing the predictable performance of our NRO program across geographies, across vintages and how that strength is demonstrated into sales, traffic, profits and returns. Next, let's touch upon our differentiated site selection method that contributes to our continued success.

Our success starts before we ever evaluate a site. We begin with markets, then trade areas. And only then do we consider or evaluate any individual site location. Our strategic market-first approach is fundamentally different from the site-first approach commonly used in real estate development. The point is our development process is strategic and proactive, not tactical and reactive. This makes all the difference.

Our approach is also differentiated by a high level of rigor at the site level, and this rigor has significant scientific and experiential backing. From a scientific standpoint, for every site, we have a process that evaluates and scores various quality measures, including visibility, access, signage, traffic, co-tenancy, positioning, synergy and a variety of other key and predictive metrics. We refuse to compromise. So often for a particular trade area, it can take many months and even years to source the right location with the right economics. We are patient.

Our analytics help us predict performance before we commit capital. We use multiple highly accurate models, along with human validation, increasing our confidence in our evaluations. The dynamic models include hundreds of variables, including demographic and psychographic data as well as site quality metrics, which act as discrete inputs for every restaurant.

Our competitive advantage here is rooted in our boots-on-the-ground rigor. Not only do our teams validate the model inputs and results, we spend a tremendous amount of time in the marketplace, understanding nuances in traffic patterns, consumer behaviors or other factors that ultimately contribute to the restaurant's success. The combination of sophisticated analytics and hands-on market knowledge is what differentiates our development process.

We are committed to strengthening our positioning within our markets. In many cases, adding a strategically located restaurant enhances convenience for guests, strengthens our competitive position often by taking away oxygen from competitors in the marketplace, relieves capacity constraints or improves market coverage. Sales transfer sometimes plays a part in this. These impacts are fully incorporated into our underwriting process. We don't ignore sales transfer. We plan for it. And every new restaurant must earn specified and at or above target returns after accounting for these effects.

This measured approach allows us to strengthen our market positions while still maintaining attractive economics. That's a significant advantage as we continue on our plan for growth. Our results are not accidental. Our development capabilities continue to evolve, supported by a disciplined approach to gathering and evaluating the data behind our decisions. The result: with each new restaurant opening, our insights sharpen future strategies and decisions.

As one example, we've seen outsized results in locations where regional dynamics, like tourism, for example, complement the core attributes we seek in a successful restaurant. These insights allow us to plan staffing ahead of opening to support the elevated demand we anticipate at those locations. The quality and quantity of our real estate committee-approved pipeline is compelling.

As mentioned earlier, we will open 62 new restaurants this year, and our pipeline is now full to meet our 2027 plan. That visibility matters. Development doesn't begin the year we intend to open the restaurant. Our ability to identify and control sites well in advance gives our real estate, construction, operations and training teams the visibility they need to execute the plan. Staying ahead allows us to remain strategic and proactive with respect to our growth at all times. It also allows all areas of the organization to be fully aligned and ready for each new restaurant as it marches toward its opening.

As we continue to build new restaurants and evaluate our system, significant opportunities to effectively deploy our capital continue to materialize. One example is our enhanced patios. Not only does an enhanced patio allow us to add sales and profits via the incorporation of additional seats and tables, they are also an opportunity to build prominence as well as customer interest.

What gives us the most confidence in our long-term unit opportunity isn't a single model or demographic study. It's the cumulative evidence we've discussed throughout this presentation. Our new restaurants continue to perform consistently with higher-volume locations contributing even more to the bottom line. We see this performance across geographies and opening vintages. Underpinning that growth is a rigorous, proven development approach, supported by the processes and analytics we discussed today. We have a strong pipeline and the coordination across our organization to bring each new restaurant to life. That's why our confidence in 2,200 restaurants doesn't rest on a map filled with dots. It rests on what we can see in the restaurants we're opening today.

I would like to leave you with three thoughts. First, we delivered the growth we communicated at IPO. Over the last several years, we've demonstrated our ability to consistently grow the restaurant base while maintaining capital returns and strengthening the overall portfolio. Second, we continue to see a substantial runway ahead. Our development process, market opportunities and geographic expansion potential support a path toward more than 2,200 restaurants domestically. And third, our confidence today is high, even higher than it was when we became a public company, not because the opportunity has changed, because now we have additional years of proof and learning.

Five years later, we have more proof, better tools, deeper experience and an organization that gets smarter with every new restaurant we open. Development has become a significant competitive advantage for First Watch. And that's how we own the morning, one thoughtfully selected high-performing restaurant at a time. Every restaurant we open earns its place, both in the market and in our financial plan. That second part is where our next speaker comes in. She'll show you how our expansion translates into returns and long-term value for shareholders. Please welcome our Chief Financial Officer, Ashlee Weisser.

Ashlee Weisser
CFO & Principal Accounting Officer

Thank you, Eric, and good morning, everyone. Thank you for everyone joining us in the room and the webcast as well. It's been a little bit of a morning, so let's recap. You've heard about First Watch's brand strength, the distinctiveness of our customer experience and the opportunity ahead. I'm now going to focus on how we translate these elements into durable earnings growth, increasing free cash flow and enhancing long-term shareholder value.

We are entering this next phase from a position of strength. What is not changing is First Watch's foundation: our culture, our people, our commitment to operational excellence and our obsession with the customer experience. Our destination of over 2,200 restaurants is also unchanged. What is evolving is the financial framework around that foundation. We are moving towards a more balanced growth algorithm so that we can increase free cash flow and benefit from greater capital allocation flexibility.

Our objective is not simply to develop more restaurants. It's to align growth, cash generation and capital allocation so that each reinforces the others and increases the value of the entire business. We can pursue this evolution because we have delivered what we said we would deliver. At the time of our IPO, we established clear targets for growth and operating leverage. From 2022 through 2025, revenue grew at an 18.7% compound annual growth rate. Adjusted EBITDA grew at 20.4%, restaurant count grew at 10.1%, and we delivered 110 basis points of G&A leverage. Average same-restaurant sales grew 3.5%. The point is not only that we met the targets, but that in doing so, we built a larger, stronger and more capable platform.

That progress gives us the capability and, frankly, the responsibility to evolve how we create value from here. Our destination is the same, but the route can now be more productive. We continue to see substantial white space and a long runway to grow the brand to 2,200 locations, but a strong strategy adapts the route as the business and the environment evolve.

The route that built the platform centered on establishing scale, proving affordability and investing ahead of growth. The route we have today compounds value using that same foundation to sustain meaningful growth, drive greater operating leverage, generate increasing free cash flow and expand capital allocation flexibility. I want to be clear, our intention is not to reach a different destination, but to embark on a more balanced and increasingly self-funded route to the same destination.

So why change the route now? First, the business has scaled. Our footprint, capabilities and earnings base are substantially larger. Second, the opportunity set has broadened. Value creation comes now not just from unit growth, but also from traffic, restaurant productivity, enterprise leverage and capital deployment. Third, the value of flexibility has increased. The current external financing environment reinforces the value of self-funding and balance sheet capacity, but it's one consideration, not the sole driver of our approach. Together, these factors support a more balanced approach to long-term value creation.

The principles guiding our capital allocation decisions will direct our path. Our first priority is to protect financial flexibility through a strong balance sheet, appropriate liquidity and resilience through cycles. Our second priority is to invest in high-return growth, both within the existing restaurants and through attractive new restaurant development. As free cash flow expands, we can deploy incremental capital to its highest-return, risk-adjusted use. The order matters. Optionality creates value only when it's paired with discipline.

That hierarchy is reflected in the financial algorithm we shared on our call last week. For 2027 and 2028, we expect 2% to 4% same-restaurant sales growth, including positive underlying traffic net of planned sales transfer, together with meaningful unit growth that supports total revenue growth of 10% to 13%. Restaurant productivity and G&A leverage allow adjusted EBITDA to grow faster than revenue at 15% or more. Most importantly, we expect positive free cash flow beginning in 2027 and increasing thereafter.

This framework prioritizes durability over maximizing any single year's growth rate. The earnings algorithm becomes more productive and less dependent on unit count as the sole source of growth. In some ways, 2027 is an inflection year for us as we drive more shareholder value along the path to 2,200 restaurants.

I will now walk you through the components that give us confidence in the plan and make it achievable. There are 4 reinforcing levers that pave the route to our growth algorithm: 1, meaningful but more balanced unit growth; 2, positive traffic supported by demand-building initiatives and lower transfer; 3, greater restaurant productivity, including faster maturations of new restaurants; and 4, G&A discipline that converts scale into enterprise leverage. No single lever has to carry the model. But together, they support the 15% or greater adjusted EBITDA growth and positive increasing free cash flow.

The first lever is a meaningful growth pace with a more balanced funding model. As Eric mentioned, we have built a leading development platform, but significant white space still remains. Attractive returns remain the threshold for every development decision. For 2027, we expect approximately 55 new system-wide restaurants. Beyond 2027, we expect meaningful unit growth with flexibility around the precise pace.

That flexibility is important. A more balanced pace reduces capital requirements and allows us to fund a greater share of development internally. That means less reliance on incremental debt, more cash retained by the business and greater flexibility to evaluate the highest-return use of capital. We are not stepping away from growth. We are making the funding model for that growth more balanced and more durable.

A more balanced pace also reduces an important pressure on reported traffic: sales transfer. As Chris showed earlier, First Watch is expanding while much of the comparison set has stalled or even closed locations. This dynamic makes sales transfer somewhat unique to First Watch and is, therefore, a more meaningful factor in our reported traffic. Eric discussed earlier why sales transfer exists and how we plan and underwrite for it. I will now spend a few more minutes showing the impact for our business and what our expectations are moving forward.

As we add restaurants near existing trade areas, some visits shift from an existing First Watch to a new First Watch. That is intentional sales transfer, otherwise known as cannibalization. We incorporate that effect into our underwriting and a new restaurant must still generate an attractive return after accounting for estimated sales transfer from nearby restaurants. We've already shared externally that sales transfer is meaningful, but wanted to use today to quantify it a bit more.

Over the past several years, estimated sales transfer has averaged 1.2%. So if you look at our average reported traffic of 1.1% over 2022 through 2025 and adjust for the transfer of 1.2%, our same-restaurant traffic would have been 2.3%. Said differently, sales transfer weighs down our consolidated same-restaurant traffic, masking the strength of the underlying trend. We are not presenting transfer to explain away performance. We are providing transparency into both the reported traffic measure and the underlying economics. That bridge gives a clearer view of the underlying customer demand.

Going forward, when we share the estimated NRO count for the following year in third quarter of the current year, we will also share our estimated sales transfer. For 2027, as an example, we anticipate a similar impact to historical with an approximate 100 to 150 basis point headwind to traffic. A more balanced development pace reduces the aggregate transfer burden over time. We also see an opportunity to refine placement and manage transfer more effectively.

For both of these reasons, the trend in the gray bars declines each year. This matters in 2 ways. First, reported traffic will more closely reflect underlying demand; and second, capital efficiency improves as we balance footprint growth with the economics of the existing restaurant base. On the basis shown here, adjusting for estimated transfer results in an average traffic of positive 2.3% from 2022 through 2025, providing a clearer view of underlying customer demand.

Looking forward, our framework assumes positive underlying traffic, net of planned sales transfer as part of the 2% to 4% same-restaurant sales growth. That outlook is supported by demand-building initiatives that Matt shared, continued menu innovation, as Shane reviewed, measured pricing and a lower transfer headwind. Importantly, we are not assuming a materially better consumer environment. The plan depends on actions within our control.

The next lever is getting more productivity from the capital already deployed. Our restaurant model provides a strong economic base. The opportunity is to help new restaurants reach target margins faster and to apply proven practices more consistently across the portfolio. To do so, we must align labor deployment with restaurant volume and position needs, accelerate new restaurants toward target margins and transfer proven operating practices across the system. Through a more balanced unit growth pace, we can redeploy labor from opening restaurants to helping NROs ramp more quickly and productively. The outcome is faster maturation, stronger restaurant-level margins and higher cash returns from capital already deployed. This lever creates value without depending solely on opening more restaurants.

Restaurant-level productivity is complemented by leverage at the enterprise level. We invested ahead of growth in critical capabilities to support a much larger business: data and analytics, restaurant operations, development, supply chain, talent and financial infrastructure. At our scale, these investments were essential to generating greater insights into the business that would drive increased predictability and decrease risk.

Inclusive of that investment, we still delivered 110 basis points of G&A leverage from 2022 through 2025. Going forward, our plan is to hold G&A growth below revenue growth while continuing to support the business. Our main investments have been completed, and we can now focus on driving efficiency with the tools and infrastructure we have built. This allows scale to create enterprise leverage, adjusted EBITDA growth and greater cash conversion.

When all 4 levers land together, the result is a meaningful change in cash generation. Adjusted EBITDA grows as unit growth, positive traffic, restaurant productivity and G&A lever work in combination. At the same time, a more balanced development pace moderates capital requirements. As the chart on the left illustrates, our plan is not just about flattening CapEx spend, but doing so while also increasing adjusted EBITDA. The result is an inflection to positive free cash flow beginning in 2027 with free cash flow increasing thereafter. This is a compounding effect as each year builds on the prior year, as shown in the chart on the right.

To repeat, this is not free cash flow created by stepping away from growth. It comes from broadening the sources of earnings growth and funding development more efficiently. That allows more growth to be self-funded, reduces reliance on incremental debt and creates greater balance sheet and capital allocation flexibility.

You've now heard how we will get to positive and increasing free cash flow. So I'm sure your next question is, how will we use it? Our first use of increasing financial capacity is to strengthen the balance sheet and move net leverage towards approximately 1x or below. That is not about accumulating cash for its own sake. It's about protecting our ability to execute the long-term plan, maintaining resilience through cycles and creating capacity to act when attractive opportunities emerge. By strengthening the balance sheet first, we preserve the ability to make those decisions from a position of strength.

That brings us back to the capital allocation framework where we started. Greater free cash flow gives us more choices, but it does not change the discipline governing those choices. We will protect financial flexibility, continue investing in high-return growth and evaluate incremental uses of capital as cash generation expands. This prioritization helps us to reduce risk, especially in an increasing interest rate environment. The beauty of the prioritization is that we do not need to precommit now to how every future dollar will be deployed. Instead, we're outlining how we view the business through a clear framework while building the capacity to act when opportunities make sense.

In closing, our framework for creating long-term shareholder value is to grow durable revenue and earnings growth, generate positive and increasing free cash flow and allocate capital with discipline and flexibility. Our destination has not changed. The route is more balanced, increasingly self-funded and designed to create more value along the way. With that, I'd like to invite Chris back to the stage.

Christopher Tomasso
CEO, President & Director

All right. Getting ready to wrap it up here. So thanks for joining us today, Inaugural Investor Day behind us. We really appreciate you all showing up today, both in person and virtually. Today, you saw First Watch from several angles: our brand and the demand we're building, the menu and innovation that keeps us top of mind, the people and operating model behind the customer experience, the long growth runway ahead and now the financial framework that will guide our next phase of growth. We've built a strong platform, and we will make this platform even more productive over time.

As a reminder, since our IPO, we've expanded with discipline, maintained our focus on the restaurant experience, invested in our brand and strengthened our position as the leader in daytime dining. We've grown the business while staying grounded in what makes First Watch distinctive: fresh, made-to-order food, a welcoming experience and a deep emotional connection with our customers and our teams.

Five years into our public company journey, and we're still in the early innings. The opportunity ahead remains significant. Our analysis of trade areas and potential sites, coupled with proven unit economics, gives us confidence into more than tripling our current system-wide restaurant count. We will pursue that growth deliberately, evaluating each investment against its expected returns, strategic value, execution requirements and impact on the markets we already serve. Growth is not only about opening restaurants. It's also about giving customers more reasons to choose us, increasing relevance across occasions, improving traffic and helping each restaurant perform closer to its potential.

Our brand work, culinary pipeline, digital tests and operating initiatives are well-directed toward that broader goal, building durable demand and improving productivity across the system. Our operating model is designed to support that ambition: a focused daytime schedule, a consistent menu and service model, investments in training and leadership development that helps us scale while preserving the experience customers expect. And as you heard from Laura, we believe our people are a real competitive advantage. When team members are supported, developed and empowered to take pride in their work, that simultaneously strengthens the experience in our restaurants and the culture of the company.

The financial framework we shared balances ambitious growth with strict capital return discipline. We will generate meaningful revenue and EBITDA growth, broad unit expansion and same-restaurant sales growth supported by positive underlying traffic. We also expect to grow G&A expenses more slowly than revenue, improve restaurant productivity and generate positive free cash flow beginning next year with free cash flow increasing over time.

That framework gives us choices, and as Ashlee said, choices matter. Our priority is to fund high-return growth, protect financial flexibility and maintain a strong balance sheet. And as free cash flow builds, we will have greater capacity to invest in the business and assess additional uses of capital, applying consistent standards to each opportunity.

Our destination for over 2,200 domestic restaurants remains the same, balancing building scale with improving the productivity of the scale we have built while continuing to grow with discipline. We believe our brand, unit economics, development capabilities, operating model and people position are second to none. We greatly appreciate your interest, your engagement and your confidence in First Watch. We're excited about our future and look forward to sharing our continued progress. We own the morning for our customers, our teams, our communities and our shareholders. Thank you.

So before we get to your questions, we're going to set up the stage here with some stools for the team, but I'd like to invite the entire team up here to join me. We covered a lot of ground this morning. It's your time now. We're happy to answer any questions you have. We have about 30 minutes. So we want to make the most of it. We have microphones in the room. So if you do have a question, please raise your hand and wait for the mic so that everyone online can hear you as well. And as soon as we get set, we'll open it up for questions. So if you have a question, just raise your hand, we'll get you a mic. You good? Here, I will go here. If you do not have a lavalier, you need a handheld. We can pass it around. Michelle, I'll let you tell us when you have a question. Not you, but have somebody.

Question-and-Answer Session

Andrew Barish
Jefferies LLC, Research Division

Andy Barish at Jefferies. I guess it's probably for Ashlee. Wondering if you can kind of contextualize the new restaurant opening drag and then maybe others can fill in kind of what you're doing to sort of eliminate that or ramp the margins more quickly? And I guess also as a sidebar to that, why has the drag, I guess, continued if you've opened new restaurants at kind of higher...

Ashlee Weisser
CFO & Principal Accounting Officer

So the drag, we haven't quantified it precisely. I think the best way we've said it externally is a couple of hundred basis points. And so you have to think about when they first open, that very first month is highly inefficient, right? We know that. I think that's true for everyone as they're getting the reps and understanding what's going on. It takes a little bit for them to build.

Some of that is because even though they're opening at higher volumes, there's 2 things that are true. One is that we staff and we overprepare. That's so that when a customer comes in for the first time, they have a great experience and it doesn't feel like a new restaurant that's learning how to do the things.

The second thing is that they have to figure out what their volume is going to be. And to your point, we've -- as Eric's chart showed, more times than not, we're over performing the expectation. And so they're trying to figure out what's the right amount of staffing, what's the right amount of food to prep, all of those things. So it does take them a little bit longer than you might think to get there even at the higher volumes.

So I think I'll answer your second question of what are we doing about that? Yes, that's a great question. So when we were opening at a 10% clip, we had a great number of NRO groups that would go around, open these new restaurants. They'd kind of like fly in like a SWAT team, help them, stay for a week or 2 and then fly back out because they had to go to the next one.

And so with the slower pace, what we're allowed to do is redeploy some of that labor. They can stay a little bit longer, help the teams really figure out what is the right volume for them, how does that look from a labor and COGS perspective? What do they need to do to prepare appropriately and not overprepare to the detriment of our lot? So those are the things that we can do now with the slower pace.

And we've started to see -- we've started that this year, some of the practices we will use. We haven't been able to redeploy the labor in the same way. We've started some of the practices, and we're starting to see traction in that. And it's really just about getting those teams kind of further along in their curve of understanding what their volume looks like unique to that restaurant.

Todd Brooks
StoneX Financial, Inc., Research Division

Todd Brooks from StoneX. Great job today. It was very informational. On the marketing side, Matt, if we think about percent of sales that's going to be allocated to marketing in '27 versus '26, is that number changing much? And then my understanding was in '26, the focus was not going to be maybe top of funnel brand building as much as activating existing customers more frequently.

What's the outlook for that in '27? And then finally, on TikTok GO, is this a category exclusive type partnership? Or are there other breakfast categories that are going to be part of this launch? Or is this something that First Watch is kind of one launch partner that TikTok is going to work with in that daypart?

Matt Eisenacher
Chief Brand Officer

Yes. Thanks, Todd. In 2026, I think we've disclosed around 2% of sales. I think our expectation is still to be around that level. However, I think when Ashlee talked about funding additional opportunities that are attractive for us, I think -- I talked about us being early in our journey, and we have a lot of different tests and irons in the fire. I talked about linear TV, and these are things that as we see the results, we're a pretty intentional bunch that we have the opportunity to invest in those things as we see fit as long as we can understand what they're doing in various market types.

Moving to your other question about TikTok. First, I think what we're proud of is that they came to us, which we think says a lot about their admiration for the brand. There are some things I can't quite say yet until we launch. But the group of brands that are working with them is extremely small. Eventually, this will expand as we get into early 2027, but we're able to handle the first part of that launch in a very exclusive set. And so that also provides us learnings in the platform as we fully scale that towards the beginning of the -- first half of 2027.

Yes. So last year, we did have a lower mix of our media spend or our paid spend that went to existing customers. We have fully moved to top of funnel. We really see the opportunity to bring in new customers. I talked about our app and our Insiders. That really is the way we're talking to our existing customers. I talked about, if you remember, MorningMakers and continuing to give ongoing benefits. I could enumerate many of them to entice them to come more often. But in terms of paid dollars, those are really going almost exclusively at the top of the funnel.

Brian Vaccaro
Raymond James & Associates, Inc., Research Division

Brian Vaccaro with Raymond James. I wanted to ask about development. And you talked about the plan to hold unit growth in the 50s into '27 and I think the potential to moderate further beyond '27. So I guess the question I had is what changes does that reflect across market types? How do you envision that mix of core versus emerging versus future openings shifting as you think about potentially moderating growth further?

Eric Hartman
Executive VP & Chief Development Officer

We expect that mix to be largely similar. One of the big advantages we have for that mix is it enables us to continue balance with our growth over the future. And the total number doesn't necessarily require a shift that way. And that balanced approach will allow us all the way toward our 2,200 number to be able to stay balanced. And we've done that in the past. It allows us to be in that position now, and our intent is to continue that balance. It's the most optimal way of growth for our organization, I think, as we continue to move forward.

Brian Vaccaro
Raymond James & Associates, Inc., Research Division

Okay. And then if I could just on a follow-up for Ashlee. I guess your expectation is to achieve greater than 15% adjusted EBITDA growth over the next 2 years. Can you help us just ballpark how much leverage you'd expect in store margins versus sort of ballparking G&A? And just what are the primary drivers or opportunities within each?

Ashlee Weisser
CFO & Principal Accounting Officer

Yes. I'm not able to quantify that today just from a fairness perspective and what we're sharing externally. But as we share our 2027 guidance in a couple of months, I think you'll get a little bit more color there. From a restaurant-level operating margin perspective, there are some basic things that I think just are going to make sense. One, lower preopening expenses just because the development has slowed slightly, and then the lower drag on the overall RO margin because of the new restaurants just because it will be a smaller portion. Those are just kind of to simply say, math, right?

The other things are going to be by way of getting those new restaurants to mature margins faster. When you think about it, we consider not just NROs, but our entire noncomp base. We say this on the call a lot, but it's about plus or minus 150 restaurants. So it's a pretty sizable amount and a little bit of movement on those margins actually makes a really big difference. So we're going to continue to give those folks the additional care and feeding that they need to get their margins to what it looks like in the comp base.

And then from an adjusted EBITDA perspective, really the main change there is around G&A. And I think both Chris and I mentioned this in our prepared remarks. But when you look at our G&A over the past 5 years, it's really been about getting us prepared for where we are today. And so we had to invest in a lot of things because honestly, before that, when we were a private company, we didn't really have all of those things. So we didn't have some of the data and analytics. We didn't have some of the talent, some of the basic technology that you need.

And we've done a lot of that investing over the last 5 years. And as we look forward, the investments really become much smaller, especially relatively. And then it really is just the incremental things that you need as you grow and less about building the foundation. So I think all of that to say, G&A is definitely an area that we're focused on from a leverage perspective because we've built the capabilities now, and we just need to further use those capabilities, and we think we can do that without adding the same rate of cost that we have been.

James Salera
Stephens Inc., Research Division

James Salera with Stephens. I appreciate all the detail and thoughts on the initiatives. Excited to see the Sun on the Run lineup. If I'm just parsing through some of the targets you put out through 2028, if we look at all of these new initiatives you have in place, it seems like it should be getting a lot of new eyeballs, bringing new people into the restaurants.

If we think about normalized pricing kind of 2% to 3%, that implies, call it, 50 to 100 bps of traffic on that 2% to 4% range. Is there any reason we shouldn't see an outperformance of that given all of these new folks that are going to be aware of First Watch and presumably different consumers that are going to be coming to the brand that haven't experienced it before?

Christopher Tomasso
CEO, President & Director

I mean, look, because of where we are in our stage of marketing testing and whatnot, we feel comfortable with what we've put out there. Is there upside potential? I'll use the word again, potentially, there is. But we feel comfortable with what we've seen so far and what we're going to put in place that we'll be able to do that.

And I think it's also important to reiterate that the benefit of the reduced sales transfer really doesn't happen until '28 because we're opening a similar amount of restaurants this year. So when you look at '27, there's still that impact. And then as we move into '28 and beyond, that will start to lessen.

Matt Eisenacher
Chief Brand Officer

You've been following us for a while. And I think -- the thing I hope you pick up on is the difference in approach from driving people into our restaurants. I think we've always done the long-term things well: hospitality, service, great food, seasonal menu, right? And I think in an environment like this, recognizing the need to drive traffic even beyond that, I think while we'll never promise anything, like Chris said, given this environment, I think we went through 5 individual drivers. So it's not like you're throwing a Hail Mary on one and relying on one. You've got a lot of irons in the fire, and one of those is the reduced sales transfer. So I think we feel it's responsible that we have a lot of different opportunities to drive traffic.

James Salera
Stephens Inc., Research Division

And if I could ask a follow-up on the Sun on the Run execution. That should introduce a lot of folks that are coming into the restaurant to just pick stuff up and kind of be on their way. Just any thoughts about how the teams in the restaurant are going to handle that different engagement, people coming in and not disrupting the people that are dining in restaurants?

Matt Eisenacher
Chief Brand Officer

Yes. So I mentioned the ability to do something like curbside pickup. That would be something that -- it makes a lot of sense, right? At the same time, we don't want to disrupt right now the core operation. So we want to understand first how this builds. I think we do believe that this is a way -- so one of the things we've seen from our DoorDash test is there's a good amount of people that have never been to First Watch or have not been to First Watch in 18-plus months.

So I think there's also a benefit from our teams for something like that in TikTok that you're reaching new people. And so that's new traffic, that's new customers coming in their 4 walls. I think you know us well enough that we would never do that at the expense of the core experience. And so things like curbside, we'd be measured in how we do those.

I think if you do the math on our customer counts and what it would take to just, let's say, hypothetically drive a traffic point, you look at those numbers, those are fairly modest numbers. So it's not something that we're going to come out of the gate and try and blast at the expense of our core operation. We'll be very balanced in that. Chris, do you want to take that.

Unknown Executive

There's capacity in the restaurants Monday through Friday, right? And what we've seen in the test already is the teams are actually embracing this because it wasn't a big shift to what they were doing already, right? They're making food. They understand the recipes. We only brought in maybe 2 new ingredients, and they're packaging that just like as if it were for any other third-party delivery. So pretty efficient thus far.

Xin Ying Lim
TD Cowen, Research Division

This is Agnes from TD Cowen. So this question is for Matt. What do you think has been the biggest disconnect between increasing brand awareness versus a stable mix of customers who have dined in at the restaurant?

Matt Eisenacher
Chief Brand Officer

Yes. If I understand your question correctly, it's why is awareness not matching traffic when you see the awareness numbers? I think the number we looked at the other day is that on average, we're serving 29 million or more people per year annually than we were at the IPO. And so we do, as you see in the presentation, understand the obligation to drive traffic, of course.

There are things that are working against us like the sales transfer. But I think while my job, all of our jobs, is to drive comparative restaurant traffic, we also look at it as it's also about driving growth as well. And so when you look at that 29 million, that is a meaningful number, and I think that's the thing that stands in between both of them.

Xin Ying Lim
TD Cowen, Research Division

And also a follow-up to Ashlee, what are you monitoring to help you determine the right level of development for 2028?

Ashlee Weisser
CFO & Principal Accounting Officer

Sorry. So if I'm hearing you correctly, it's what...

Xin Ying Lim
TD Cowen, Research Division

Are you monitoring to help you determine?

Ashlee Weisser
CFO & Principal Accounting Officer

Perfect. Okay. So we're looking at a lot of things. Obviously, Eric walked you through the process of our pipeline and the rigor that we have around the returns. So that's step 1. Like nothing happens if we're not going to get the returns that we want. That's not the area that we're concerned about, to be honest, because Eric's team has done such a nice job finding sites and figuring out where the best places are.

So we're going to look at things like operational readiness. We're going to look at where we feel makes sense for us from a market perspective, bench strength. We're going to look at our cash position. We're going to understand if there are other places that we'd like to invest money. So there's a handful of things.

One thing I would say is if you look at the revenue growth target, we're not going to cut unit growth really small because at a 2% to 4% same-restaurant sales growth and 10% to 13% overall revenue growth, you can kind of back into it's still going to be very -- as I used the word in my presentation, meaningful. We just don't want to say it's exactly this number because as opportunities arise one way or the other, we want the flexibility to be able to adjust.

Christopher Tomasso
CEO, President & Director

Everybody just wants to go to the restaurant.

Ashlee Weisser
CFO & Principal Accounting Officer

Yes.

Unknown Analyst

This is [indiscernible] from Bank of America. Thank you for the added transparency on the sales transfer. You mentioned the DoorDash test is bringing customers who are new or haven't visited over 18 months. So on Sun on the Run, how do the economics work for the $9.99, especially on delivery orders after the season? And then do you expect it to bring average check down? And then also on the group orders, does one order count as a single transaction in traffic?

Matt Eisenacher
Chief Brand Officer

Yes, I'll start and then Ashlee, if you wanted to add to the margin profile. So at $9.99, it all comes down to incrementality. We have to see incrementality. We obviously would not accept the idea of a trade down. And so what we are looking for in test is ongoing to see that incrementality. We are continuing to test other price points, to your point about what the sweet spot is.

$9.99 is definitely our target for our own channels as well, but continuing to test what those other price points are for DoorDash is something that we're currently in the process of doing right now. Moving to the group orders, yes, if you're asking about traffic or traffic counts because you've mentioned check. Obviously, one transaction would be a check. But in terms of traffic, that would be an entree. So that's how we count a traffic point in that channel, if that's what you're asking.

Ashlee Weisser
CFO & Principal Accounting Officer

Yes. So a group order for 10 people, if they ordered the 10 entrees, that would be a traffic of 10 is basically what Matt is saying. It's not a traffic of one. And then a finer point on the margin profile. At the surface, you see the $9.99 and you see the price points of other things on our menu. And the easy math is, yes, that's going to pull down check or how do the margins work? One, we've engineered the margins to work in a way for us because it doesn't come with a side. There's different pieces of it that make it inherently different than what's in the restaurant.

But what Matt's point is on incrementality, it's not incrementality of items necessarily. The thought here is that we're driving incremental traffic into the Monday to Friday daypart where, one, we have capacity. So that is really helpful for our staff. But 2, those are people and maybe not people, I'm going to use math word. Those are occasions, those quick, convenient handheld occasions that we wouldn't get without this platform. So we're looking at it more from an overall financial perspective and less on the incremental per item margin and more on the overall when you net it with the traffic, is it a win for First Watch? That's the key criteria.

Todd Brooks
StoneX Financial, Inc., Research Division

Just a quick follow-up, Todd Brooks, StoneX. Digging in on off-premise, if we look at maybe the top quartile of stores, do they have a stronger off-premise mix already? They've developed that business and they've been able to serve it? Or is it fairly equivalent across the base? And then if we can drill in on catering and the current status, maybe what percent of mix that is now? And then what type of sales layer you think that could be with a fully developed level? And how do you get there?

Matt Eisenacher
Chief Brand Officer

Yes. We definitely see variability in geographies. The Northeast is strong off-premise. Markets like Miami are strong off-premise. So it definitely varies across the U.S. and by trade areas for sure. In terms of catering, you asked me what that percent is today, it is 0%. And so I mentioned the opportunity. Catering is a different occasion, it's -- a lot that goes into it.

You have to be very careful not to disrupt your core operation. You have to have the space for it, you have to have the people for it. And so we're very intentional about that. That is an opportunity as we have the positioning of fresh to have a distinct offering. And the bar we hold is that it needs to be as special as what we are in restaurant. It has to be special in that occasion.

So that's why I was saying in my presentation, I don't want anyone to take away from this that we're going to be catering tomorrow, but group ordering is an on-ramp into that. And so what we're doing in some of those marketplaces with group ordering, it is virtually no change from our current menu. And so is that size of prize smaller? Yes. But we're okay with that. And so then over the next couple of years, we have the ability to be very intentional about designing that platform and then that incremental occasion coming in the out years.

Christopher Tomasso
CEO, President & Director

Todd, I do want to add that our restaurants that are higher volume, let's say it's 30% higher than average unit volume, they're typically 30% higher in every daypart. They're doing a greater Monday through Friday breakfast and lunch. They're doing a greater -- it's not just all concentrated on the weekends or in off-premise. They just serve more customers in each of the hours that we operate.

Andrew Barish
Jefferies LLC, Research Division

Andy Barish with Jefferies. 2 quick ones. I didn't hear anything on alcohol. Just give us an update on where that program is and what's going on there. And then I think also maybe contributing to some of the [indiscernible] path, maybe managers per unit. I think that number kind of peaked a couple of years ago. And can you just sort of level set on where that is and how that factors into the math?

Christopher Tomasso
CEO, President & Director

Yes. On the alcohol piece, I'll say what I said from when we launched it, that it was to eliminate the veto vote for us. So the reason you didn't hear about it, Andy, is because for us, it's a menu addition that is meant to attract a certain audience. It's doing what we expected it to do. And as you know, we're not an alcohol-forward concept. There's a lot of brunch concepts that are alcohol-forward. But our program continues to evolve, and I'll let Shane talk about it from a culinary perspective.

And yes, on the glide path, the reduced unit count will help with that. At any one point, we may have had 40 to 50 managers that were on the bench waiting for a new restaurant to open. So we'll get some leverage there. And then we've also rightsized the organization as far as the manager count, but it's still pretty similar to where we were before. It's just as we go forward, when we get closer to '28 and when the unit count declines a little bit more than it did in '27, you'll start to see that leverage. And if you want to talk culinarily.

Shane Schaibly
Senior Vice President of Culinary Strategy of First Watch Restaurants Inc

Yes, sure. Thanks, Andy. As you know, that menu has always been evolving, that program. So we've been testing for about a year and have plans this spring to launch kind of that next phase. As of, I think, 2017, we had 0 restaurants with a liquor license. So whatever that math is, 7 short years, we were able to create this program, acquire liquor licenses.

And now that everyone who's going to get one and has one, we can kind of sit up and say, "Okay, let's see what we want to do for that next phase." But we've seen great positive results. It's very efficient the way that we're evolving the program. We're going to expand one platform and then trade out a couple of the individual items. So good things to come on that.

James Salera
Stephens Inc., Research Division

Jim Salera with Stephens. I wanted to follow up on Todd's earlier question on the top decile restaurants. Could you just share any other characteristics, whether it's square footage-wise or the locations that these restaurants are in relative to how you guys talked about your kind of core millennial consumer?

Because I think if we're walking through the long-term white space, $5 million AUV in the top restaurant is incredible. I just want to think through what's the upper bound for some of these other restaurants as you continue to expand in new territories and just trying to think through what that looks like.

Christopher Tomasso
CEO, President & Director

I mean I'll let Eric speak to it, but I think it starts with the trade area and the site first. The size of the restaurant doesn't necessarily play into that. We have 3,500-square-foot restaurants doing close to $4 million, and we have 5,000-square-foot restaurants doing that as well. So it's really more about the trade area and the characteristics, if you want to expand on that.

Eric Hartman
Executive VP & Chief Development Officer

Yes, I agree. I would also add 2 points. I think one is the characteristics that we see in our higher-performing restaurants, they are characteristics that exist in trade areas and site qualities that are in our pipeline and that also are in the future. So we anticipate continuing the development of our high-ceiling new restaurant program. So I think that's the first thing I would say. Second is we've continued to improve our design infrastructure that will allow us to incorporate very high ceilings as we continue moving forward with our NROs.

Christopher Tomasso
CEO, President & Director

I also want to add that you almost have to think about First Watch in 2 phases, like our first 30 years and now and for the future. And what I'm really excited about is what we've been learning about the prototype and the layouts and the patios and all those things and how that really drives higher ceilings and what we're seeing.

I talked about how many new restaurant opening week sales records have been broken. And when you think back to the first chapter of the brand's story, we were 3,200-square-foot in-line restaurants, no patios. And so when I think about the next 1,400 restaurants that we're going to build or 1,500 to get to that 2,200 and they look more like the last 5 years and 6 years of what we've been building, that's where I get really excited.

There's not a ton of opportunity to increase the AUVs on a big part of the core. Certainly, some of the initiatives that Matt is talking about and Ashlee talked about where we're leveraging the capital that's already been deployed sometimes 35 years ago. But employing all that into the new restaurants that are already doing so well just gives us more conviction in the ability to have even higher sales volumes in those restaurants.

Brian Vaccaro
Raymond James & Associates, Inc., Research Division

Brian Vaccaro again with Raymond James. Just, I guess, back to CapEx and while maintaining a flexible approach, based on your comments today, it sounds like your posture is to at least moderate a little bit unit growth somewhat in 2028. Actually, in one of the slides, and we were going kind of fast through them, but in the CapEx slide, it looked like that it was projected to maybe step up a little bit in '28 versus '27. Can you help us square that? That's the first question. The second one is just on the CapEx budget on an annual basis. I think it's $145 million this year. Can you just remind us the key components within that? How much unit growth, how much maintenance and other?

Ashlee Weisser
CFO & Principal Accounting Officer

Yes. I'll start with that one first. So you can largely back into the unit growth one if you use, let's just call it, a growth CapEx of $2 million round math and 50 units, which is a little bit less, but it's easy math. That's going to get you to $100 million. And then the bulk of what's left is repair and maintenance on our existing fleet. And then we have a little bit related to IT and technology. But really, most of our CapEx is spent in our restaurants, either new or existing.

And then the question on the CapEx. So 2028 is not fully baked, right? Those are illustrative charts to show you the direction we expect. One, I go back to my earlier comment that we have not decided what 2028 is, I should probably say that. So I'm not trying to guide you one way or the other. But the 10% to 13% revenue, it cannot be super low in order to hit that overall revenue growth. So that kind of gives you a little bit of a guardrail there.

But it's also not going to be on the flip, it's not going to be double the unit growth, right? It kind of gives you a little bit of a range of higher to lower of what the count will be. That said, when we're looking at our future development, we're always building in some level of inflation. So building costs aren't free. So it's both a factor of number of units and number of existing restaurants we have that we need to maintain, that's in there as well.

Both of those obviously change as the time progresses as well as the inflation of the components that drive both of those. So even if -- said differently, if growth was flat for the remainder of life, the CapEx line would not be, just solely on the basis of we're adding new units that will need to be maintained.

Unknown Analyst

I'm Dana Klein with FSR Magazine. So I guess I'll start at the beginning, Chris, your comment about breakfast or you kept hearing that it was dead. So a lot of the things that you've seen and done yourself, have you seen competitors trying to mirror some of those success strategies? And has it kind of maybe changed with the competitive landscape for what "breakfast" actually is any longer?

Christopher Tomasso
CEO, President & Director

I think there's been some of that. I mean when you have a segment leader that's had the success that we have had, I think it's human nature, I guess, to say, all right, what are they doing that we should be doing? But what I really love is we probably overuse the word differentiated today. But even when you look at just the daytime dining segment, we are still highly differentiated within that segment. So it really comes down to the culinary and the health halo.

And a lot of the players in our direct space are either really alcohol-forward or indulgent or special occasion-driven. And we're in that more everyday. Our menu goes from -- you heard some of the employees say they have customers that come in every day and order the same exact thing. And then we have people that really wait for that seasonal menu and want to indulge in the premium proteins and things.

So we feel like in the pendulum of special occasion and indulgent and value and price, we found a really nice spot in the middle of all that, where we get the frequency, we get the approachability and the affordability, but we also have the energy and the uniqueness of the menu and those type of things.

And so it's been interesting that we've been able to hold on to that differentiation within our own segment for decades now. And I get it why others want to take a different approach. We are the segment leader. We have the depth and the spread in the whole country. And so we like our positioning, and we're just leaning into it really hard, and it's served us well for many, many years.

Unknown Executive

Thank you all for joining us for First Watch's first Investor Day. This concludes the webcast. For those of you in the room, there's gift boxes on the way out for everyone. And for those of us joining us for lunch at Boylston, the transportation to the restaurant will be ready to leave out front at about 11:30, and the event at the restaurant will begin at about 11:45. Thank you all.

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