

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2025

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36865



Rocky Mountain Chocolate Factory, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-1535633
(I.R.S. Employer
Identification No.)

265 Turner Drive, Durango, CO 81303
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (970) 259-0554

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, \$0.001 par value per share | RMCF | The Nasdaq Global Market |
| Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | |
| Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | |
| Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. | | |

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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

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

On July 11, 2025, the registrant had 7,793,924 shares of common stock, \$0.001 par value per share, outstanding.

[Table of Contents](#)

Table of Contents

| | | |
|----------|---|----|
| | part I. financial information | |
| Item 1. | Condensed Consolidated Financial Statements (Unaudited) | 3 |
| | Condensed Consolidated Statements of Operations | 3 |
| | Condensed Consolidated Balance Sheets | 4 |
| | Condensed Consolidated Statement of Cash Flows | 5 |
| | Condensed Consolidated Statements of Changes in Stockholders' Equity | 6 |
| | Notes to Condensed Consolidated Financial Statements | 8 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 21 |
| Item 3. | Quantitative and Qualitative Disclosures about Market Risk | 27 |
| Item 4. | Controls and Procedures | 27 |
| | part II. other information | 29 |
| Item 1. | Legal Proceedings | 29 |
| Item 1A. | Risk Factors | 29 |
| Item 2. | Unregistered Sale of Equity Securities and Use of Proceeds | 29 |
| Item 3. | Defaults Upon Senior Securities | 29 |
| Item 4. | Mine Safety Disclosures | 29 |
| Item 5. | Other Information | 29 |
| Item 6. | Exhibits | 30 |
| | Signatures | 31 |

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are intended to come within the safe harbor protection provided by those sections. These forward-looking statements involve various risks and uncertainties. These statements, other than statements of historical fact, included in this Quarterly Report are forward-looking statements. Many of the forward-looking statements contained in this document may be identified by the use of forward-looking words such as “will,” “intend,” “believe,” “expect,” “anticipate,” “should,” “plan,” “estimate,” “potential,” “may,” “would,” “could,” “continue,” “likely,” “might,” “seek,” “outlook,” “explore,” or the negative of these terms or other similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future including statements regarding future financial and operating results, our business strategy and plan, our strategic priorities, our store pipeline and our transformation, are forward-looking statements. Management believes these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date of this Quarterly Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to: inflationary impacts, the outcome of legal proceedings, changes in the confectionery business environment, seasonality, consumer interest in our products, receptiveness of our products internationally, consumer and retail trends, costs and availability of raw materials, competition, the success of our co-branding strategy, the success of international expansion efforts and the effect of government regulations. For a detailed discussion of the risks and uncertainties that may cause our actual results to differ from the forward-looking statements contained herein, please see Part II, Item 1A. “Risk Factors” and the risks described elsewhere in this Quarterly Report and the section entitled “Risk Factors” contained in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended February 28, 2025, filed with the Securities and Exchange Commission (“SEC”) on June 20, 2025, as updated by this Quarterly Report.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries Condensed Consolidated Statements of Operations (In thousands, except share and per share amounts) (Unaudited)

| | Three Months Ended May 31, | |
|---|----------------------------|-----------|
| | 2025 | 2024 |
| Revenues | | |
| Sales | \$ 4,718 | \$ 5,279 |
| Franchise and royalty fees | 1,655 | 1,128 |
| Total Revenue | 6,373 | 6,407 |
| Costs and Expenses | | |
| Cost of sales | 4,392 | 5,586 |
| Franchise costs | 595 | 541 |
| Sales and marketing | 206 | 430 |
| General and administrative | 1,001 | 1,239 |
| Retail operating | 206 | 199 |
| Depreciation and amortization, exclusive of depreciation and amortization expense of \$228 and \$196, respectively, included in cost of sales | 118 | 42 |
| Total costs and expenses | 6,518 | 8,037 |
| Loss from Operations | (145) | (1,630) |
| Other Income (Expense) | | |
| Interest expense | (188) | (35) |
| Interest income | 9 | 7 |
| Other income (expense), net | (179) | (28) |
| Loss Before Income Taxes | (324) | (1,658) |
| Income Tax Provision (Benefit) | - | - |
| Net Loss | (324) | (1,658) |
| Basic Loss per Common Share | \$ (0.04) | \$ (0.26) |
| Diluted Loss per Common Share | \$ (0.04) | \$ (0.26) |
| Weighted Average Common Shares Outstanding - Basic | 7,742,317 | 6,322,329 |
| Dilutive Effect of Employee Stock Awards | - | - |
| Weighted Average Common Shares Outstanding - Diluted | 7,742,317 | 6,322,329 |

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

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

| | May 31, 2025 (unaudited) | February 28, 2025 |
|--|-----------------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 893 | \$ 720 |
| Accounts receivable, less allowance for credit losses of \$301 and \$307, respectively | 2,327 | 3,405 |
| Notes receivable, current portion, less current portion of the allowance for credit losses of \$28 and \$28, respectively | 76 | 11 |
| Refundable income taxes | 64 | 64 |
| Inventories | 4,633 | 4,630 |
| Other | 389 | 393 |
| Total current assets | 8,382 | 9,223 |
| Property and Equipment, Net | 9,238 | 9,409 |
| Other Assets | | |
| Notes receivable | 106 | 69 |
| Goodwill | 576 | 576 |
| Intangible assets, net | 203 | 210 |
| Lease right of use asset | 1,125 | 1,241 |
| Other | 466 | 447 |
| Total other assets | 2,476 | 2,543 |
| Total Assets | <u>\$ 20,096</u> | <u>\$ 21,175</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,172 | \$ 4,816 |
| Accrued salaries and wages | 575 | 697 |
| Gift card liabilities | 648 | 649 |
| Other accrued expenses | 150 | 80 |
| Contract liabilities | 137 | 139 |
| Lease liability | 480 | 488 |
| Total current liabilities | 6,162 | 6,869 |
| Note payable | 5,961 | 5,957 |
| Lease Liability, Less Current Portion | 660 | 770 |
| Contract Liabilities, Less Current Portion | 581 | 604 |
| Total Liabilities | 13,364 | 14,200 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Preferred stock, \$0.001 par value per share; 250,000 authorized; 0 shares issued and outstanding | - | - |
| Common stock, \$0.001 par value, 46,000,000 shares authorized, 7,764,484 shares and 7,722,174 shares issued and outstanding, respectively | 8 | 8 |
| Additional paid-in capital | 12,436 | 12,355 |
| Accumulated deficit | (5,712) | (5,388) |
| Total stockholders' equity | 6,732 | 6,975 |
| Total Liabilities and Stockholders' Equity | <u>\$ 20,096</u> | <u>\$ 21,175</u> |

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

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | 2025 | Three Months Ended May 31, | 2024 |
|---|------|-------------------------------|---------------|
| Cash Flows From Operating Activities | | | |
| Net Loss | \$ | (324) | \$ (1,658) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | | 346 | 238 |
| Amortization of debt issuance costs | | 4 | — |
| Provision for obsolete inventory | | — | 13 |
| Loss on sale or disposal of property and equipment | | — | 55 |
| Expense recorded for stock compensation | | 81 | 40 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | 966 | (255) |
| Refundable income taxes | | — | (6) |
| Inventories | | 216 | 372 |
| Other current assets | | 4 | 161 |
| Accounts payable | | (863) | (463) |
| Accrued liabilities | | (55) | (637) |
| Contract liabilities | | (25) | (17) |
| Net cash provided by (used in) operating activities | | 350 | (2,157) |
| Cash Flows from Investing Activities | | | |
| Increase in other assets | | (19) | — |
| Proceeds from notes receivable | | 10 | 21 |
| Proceeds from the sale of assets | | — | 358 |
| Purchases of property and equipment | | (168) | (417) |
| Net cash used in investing activities | | (177) | (38) |
| Cash Flows from Financing Activities | | | |
| Proceeds from line of credit | | - | 750 |
| Net cash provided by financing activities | | - | 750 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 173 | (1,445) |
| Cash and Cash Equivalents, Beginning of Period | | 720 | 2,082 |
| Cash and Cash Equivalents, End of Period | \$ | <u>893</u> | \$ <u>637</u> |

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

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

| | Convertible Preferred Stock | | Common Stock | | Three Months Ended May 31, 2025 | | Additional Paid-In | Accumulated | Total Stockholders' |
|--|-----------------------------|-------------|------------------|-------------|---------------------------------|-----------|--------------------|-------------|---------------------|
| | Shares | Amount | Shares | Amount | Capital | | Capital | Deficit | Equity |
| Balances as of February 28, 2025 | — | \$ - | 7,722,174 | \$ 8 | \$ 12,355 | \$ | (5,388) | \$ | 6,975 |
| Equity compensation, restricted stock units, net of shares withheld | — | — | 42,310 | — | 81 | — | — | — | 81 |
| Net loss | — | — | — | — | — | — | (324) | — | (324) |
| Balances as of May 31, 2025 | <u>—</u> | <u>\$ -</u> | <u>7,764,484</u> | <u>\$ 8</u> | <u>\$ 12,436</u> | <u>\$</u> | <u>(5,712)</u> | <u>\$</u> | <u>6,732</u> |

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

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Continued)
(In thousands, except share amounts)
(Unaudited)

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In | Retained Earnings / | Total Stockholders' |
|--|-----------------------------|-------------|------------------|-------------|--------------------|-----------------------|---------------------|
| | Shares | Amount | Shares | Amount | Capital | (Accumulated Deficit) | Equity |
| Balances as of February 29, 2024 | — | \$ - | 6,306,027 | \$ 6 | \$ 9,896 | \$ 734 | \$ 10,636 |
| Equity compensation, restricted stock units, net of shares withheld | — | — | 20,112 | — | 40 | — | 40 |
| Net loss | — | — | — | — | — | (1,658) | (1,658) |
| Balances as of May 31, 2024 | <u>—</u> | <u>\$ -</u> | <u>6,326,139</u> | <u>\$ 6</u> | <u>\$ 9,936</u> | <u>\$ (924)</u> | <u>\$ 9,018</u> |

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

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying condensed consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation) and U-Swirl, Inc. (SWRL), and its previous wholly-owned subsidiaries, Aspen Leaf Yogurt, LLC (dissolved in November 2023) and U-Swirl International, Inc. (dissolved in October 2023) (“U-Swirl”), (collectively, the “Company”, “we”, “RMCF”).

The Company is an international franchisor, confectionery producer and retail operator. Founded in 1981, the Company is headquartered in Durango, Colorado and produces an extensive line of premium chocolate candies and other confectionery products. The Company's revenues and profitability are derived principally from its franchised/licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples.

The Company's revenues are currently derived from four principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; sales at Company-owned stores of chocolates and other confectionery products including gourmet caramel apples; and marketing fees.

The Company does not have a material amount of financial assets or liabilities that are required under United States Generally Accepted Accounting Principles (“GAAP”) to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under GAAP, for any assets or liabilities for which fair value measurement is not presently required. The Company believes the fair values of cash equivalents, accounts and notes receivable and accounts payable approximate their carrying amounts due to their short duration. The note payable approximates fair value due to the interest rates being consistent with market rates.

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand at May 31, 2025:

| | Stores Open at February 28, 2025 | Opened | Closed | Sold | Stores Open at May 31, 2025 |
|--|--|--------|--------|------|-----------------------------------|
| Rocky Mountain Chocolate Factory | | | | | |
| Company-owned stores | 2 | - | - | - | 2 |
| Franchise stores - Domestic stores and kiosks | 138 | 1 | (3) | - | 136 |
| International license stores | 3 | - | - | - | 3 |
| Cold Stone Creamery - co-branded | 107 | - | (3) | - | 104 |
| SWRL - co-branded | 10 | - | - | - | 10 |
| Total | 260 | | | | 255 |

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Liquidity and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. In accordance with ASC 205-40, Going Concern, the Company's management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the accompanying financial statements were issued. During the three months ended May 31, 2025, the Company incurred a net loss of \$0.3 million; however, \$0.4 million of cash was provided by operating activities. The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 as of May 31, 2025. The Company has received a waiver from the Lender as of the date of the quarterly report and is in compliance with all other aspects of the Credit Agreement. These factors raise substantial doubts about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to continue to implement its business plan. The Company continues to explore supplemental liquidity resources. During the next twelve months, the Company intends to further reduce overhead costs, improve manufacturing efficiencies, and increase profits and gross margins by better aligning its costs with the delivery and sale to its franchise system and focus customers. In addition, the Company intends to benefit from its historically busy season of holiday product sales while also increasing sales through its e-commerce distribution channel on a year-round basis. There are no assurances that the Company will be successful in implementing its business plan.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The condensed consolidated financial statements have been prepared in conformity with GAAP for interim financial reporting and SEC regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the consolidated financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the three months ended May 31, 2025 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 28, 2026. All intercompany balances and transactions have been eliminated in consolidation.

These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2025, filed with the SEC on June 20, 2025. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP.

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the estimate of the reserve for uncollectible accounts, and reserve for inventory obsolescence. The Company bases its estimates on historical experience and also on assumptions that the Company believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from these estimates.

New Accounting Pronouncements Adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The updates in this ASU are effective for annual periods beginning after December 15, 2024. The Company adopted this pronouncement effective March 1, 2025 and the impact of the new standard did not have a material impact on its consolidated financial statements.

Subsequent Events

Management evaluated all activity of the Company through the issue date of these financial statements and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

NOTE 2 - SUPPLEMENTAL CASH FLOW INFORMATION

| (\$'s in thousands) | Three Months Ended | | | |
|--|--------------------|-----|--------------|----|
| | 2025 | | May 31, 2024 | |
| Cash paid (received) for: | | | | |
| Interest | \$ | 188 | \$ | 35 |
| Income taxes | | - | | 6 |
| Supplemental disclosure of non-cash activities: | | | | |
| Accounts receivable exchanged for notes receivable | \$ | 112 | \$ | - |
| Inventory accrued but not yet paid | \$ | 219 | \$ | - |

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with its customers in accordance with Accounting Standards Codification® (“ASC”) 606, which provides that revenues are recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The Company generally receives a fee associated with the franchise agreement or license agreement (collectively “Customer Contracts”) at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract, the Company is obligated to many performance obligations that the Company has not determined are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

The initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and are treated as a single performance obligation. Initial franchise fees are being recognized as

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10 years.

The following table summarizes contract liabilities as of May 31, 2025 and May 31, 2024:

| (\$'s in thousands) | Three Months Ended May 31, | | | |
|--|-------------------------------|------------|------|------------|
| | 2025 | | 2024 | |
| Contract liabilities at the beginning of the period: | \$ | 743 | \$ | 829 |
| Revenue recognized | | (36) | | (70) |
| Contract fees received | | 11 | | 53 |
| Contract liabilities at the end of the period: | \$ | <u>718</u> | \$ | <u>812</u> |

At May 31, 2025, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following (amounts in thousands):

| | | |
|------------|----|------------|
| FYE 2026 | \$ | 105 |
| FYE 2027 | | 127 |
| FYE 2028 | | 103 |
| FYE 2029 | | 82 |
| FYE 2030 | | 72 |
| Thereafter | | 229 |
| Total | \$ | <u>718</u> |

Gift Cards

The Company's franchisees sell gift cards, which do not have expiration dates or non-usage fees. The proceeds from the sale of gift cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. ASC 606 requires the use of the "proportionate" method for recognizing breakage. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company did not recognize any gift card breakage during the three months ended May 31, 2025 and 2024.

Durango Product Sales of Confectionery Items, Retail Sales and Royalty and Marketing Fees

Durango Product Sales are those sold from the Company's factory in Durango, Colorado. Retail sales include products sold in the retail store locations. Confectionery items sold to the Company's franchisees, others and its Company-owned stores' sales are recognized at the time of the underlying sale, based on the terms of the sale and when ownership of the inventory is transferred, and are presented net of sales taxes and discounts. Royalties and marketing fees from franchised or licensed locations, which are based on a percent of sales are recognized at the time the sales occur.

NOTE 4 – DISAGGREGATION OF REVENUE

The following table presents disaggregated revenue by the method of recognition and segment:

Three Months Ended May 31, 2025

Revenues recognized over time:

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Total |
|---------------------|-------------|---------------|--------|-------|
| Franchise fees | \$ 36 | \$ - | \$ - | \$ 36 |

Revenues recognized at a point in time:

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Total |
|---|-----------------|-----------------|---------------|-----------------|
| Durango Product sales | \$ - | \$ 4,399 | \$ - | \$ 4,399 |
| Retail sales | - | - | 319 | 319 |
| Royalty and marketing fees | 1,619 | - | - | 1,619 |
| Total revenues recognized over time and point in time | <u>\$ 1,655</u> | <u>\$ 4,399</u> | <u>\$ 319</u> | <u>\$ 6,373</u> |

Three Months Ended May 31, 2024

Revenues recognized over time:

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Total |
|---------------------|-------------|---------------|--------|-------|
| Franchise fees | \$ 70 | \$ - | \$ - | \$ 70 |

Revenues recognized at a point in time:

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Total |
|---|-----------------|-----------------|---------------|-----------------|
| Durango Product sales | \$ - | \$ 4,957 | \$ - | \$ 4,957 |
| Retail sales | - | - | 322 | 322 |
| Royalty and marketing fees | 1,058 | - | - | 1,058 |
| Total revenues recognized over time and point in time | <u>\$ 1,128</u> | <u>\$ 4,957</u> | <u>\$ 322</u> | <u>\$ 6,407</u> |

NOTE 5 - INVENTORIES

Inventories consist of the following at May 31, 2025 and February 28, 2025:

| (\$'s in thousands) | May 31, 2025 | February 28, 2025 |
|-----------------------------------|-----------------|-------------------|
| Ingredients and supplies | \$ 2,791 | \$ 2,864 |
| Finished candy | 2,015 | 2,277 |
| Reserve for slow moving inventory | (173) | (511) |
| Total inventories | <u>\$ 4,633</u> | <u>\$ 4,630</u> |

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment at May 31, 2025 and February 28, 2025 consisted of the following:

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| (\$'s in thousands) | May 31, 2025 | February 28, 2025 |
|-------------------------------|-----------------|-------------------|
| Land | \$ 124 | \$ 124 |
| Building | 5,468 | 5,415 |
| Machinery and equipment | 15,019 | 14,904 |
| Furniture and fixtures | 519 | 519 |
| Leasehold improvements | 136 | 136 |
| Transportation equipment | 326 | 326 |
| | 21,592 | 21,424 |
| Less accumulated depreciation | (12,354) | (12,015) |
| Property and equipment, net | <u>\$ 9,238</u> | <u>\$ 9,409</u> |

Depreciation expense related to property and equipment totaled \$0.3 million and \$0.2 million during the three months ended May 31, 2025 and 2024, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following at May 31, 2025 and February 28, 2025:

| | | | | May 31, 2025 | | February 28, 2025 | |
|--|--------------------------------|---|----|----------------------|--------------------------|----------------------|--------------------------|
| (\$'s in thousands) | Amortization Period (in Years) | | | Gross Carrying Value | Accumulated Amortization | Gross Carrying Value | Accumulated Amortization |
| Intangible assets subject to amortization | | | | | | | |
| Store design | 10 | | | \$ 395 | \$ (300) | \$ 395 | \$ (295) |
| Trademark/Non-competition agreements | 5 | - | 20 | 259 | (151) | 259 | (149) |
| Total | | | | 654 | (451) | 654 | (444) |
| Goodwill and intangible assets not subject to amortization | | | | | | | |
| Goodwill | | | | | | | |
| Retail | | | | \$ 362 | | \$ 362 | |
| Franchising | | | | 97 | | 97 | |
| Manufacturing | | | | 97 | | 97 | |
| Trademark | | | | 20 | | 20 | |
| Total | | | | 576 | | 576 | |
| Total Goodwill and Intangible Assets | | | | \$ 1,230 | \$ (451) | \$ 1,230 | \$ (444) |

Amortization expense related to intangible assets totaled approximately \$7 thousand during the three months ended May 31, 2025 and 2024.

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

At May 31, 2025, annual amortization of intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following (amounts in thousands):

| | | |
|------------|----|------------|
| FYE 2026 | \$ | 20 |
| FYE 2027 | | 27 |
| FYE 2028 | | 27 |
| FYE 2029 | | 27 |
| FYE 2030 | | 27 |
| Thereafter | | 75 |
| Total | \$ | <u>203</u> |

NOTE 8 – NOTE PAYABLE

On September 30, 2024, the Company entered into a credit agreement (the "Credit Agreement") with the lender, RMC Credit Facility, LLC ("RMC" or the "Lender"). RMC is a related party of the Company since one of the Company's board of directors is involved with RMC and an investor with the Credit Agreement. Pursuant to the Credit Agreement, the Company received an advance in the principal amount of \$6.0 million, which advance is evidenced by a promissory note (the "Note"). The Note matures on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

The Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The Credit Agreement also limits capital expenditures to \$3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. The Company incurred \$0.1 million of loan origination fees, included as a debt discount and reduction of the notes payable on the balance sheet.

As of May 31, 2025, the Company had \$6.0 million outstanding on the Credit Agreement. Interest on the outstanding amount was paid through May 31, 2025. The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of May 31, 2025. The Company has received a waiver from the Lender as of the date of this Quarterly Report and is in compliance with all other aspects of the Credit Agreement.

NOTE 9 – COMMON STOCK

Under the Company's previous 2007 Equity Incentive Plan, the Company may authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units. Effective June 2024, the Board authorized 600,000 new shares, along with 300,851 unused and available shares and 131,089 shares granted and outstanding from the 2007 Equity Incentive Plan, to form the 2024 Equity Incentive Plan with a total of 1,031,940 shares. As of May 31, 2025, 645,374 shares were available for issuance.

The Company recognized \$81 thousand and \$40 thousand of stock-based compensation expense during the three months ended May 31, 2025 and 2024, respectively. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards.

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes non-vested restricted stock unit transactions for common stock during the three months ended May 31, 2025:

| | Three Months Ended May 31, 2025 |
|---|---------------------------------------|
| Outstanding non-vested restricted stock units at beginning of year: | 235,664 |
| Granted | 11,091 |
| Vested | (42,310) |
| Cancelled/forfeited | - |
| Outstanding non-vested restricted stock units as of May 31: | <u>204,445</u> |
| Weighted average grant date fair value | \$ 1.49 |
| Weighted average remaining vesting period (in years) | 1.19 |

Total unrecognized stock-based compensation expense for non-vested restricted stock units was approximately \$0.4 million, and is expected to be recognized over the next 1.19 years.

During the three months ended May 31, 2025, the Company issued 11,091 restricted stock units to a new member of the Company's board of directors with a grant-date fair value of \$17 thousand.

NOTE 10 - EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted-average number of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through the settlement of restricted stock units. Restricted stock units become dilutive within the period granted and remain dilutive until the units vest and are issued as common stock.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the three months ended May 31, 2025, 204,445 shares of common stock that were issuable upon the vesting of restricted stock units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

NOTE 11 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee of two franchised store premises, which the Company then subleases to franchisees, but the majority of existing franchised locations are leased by the franchisee directly.

In some instances, the Company has leased space for its Company-owned locations that are now occupied by franchisees. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company also leases trucking equipment and warehouse space in support of its production operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. As of May 31, 2025 and 2024, lease expense recognized in the consolidated statements of operations was \$0.1 million.

The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the right of use asset and lease liability include an assumption on renewal options that have not yet been exercised by the Company and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the Asset and Liability except in instances where such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the asset and liability, the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 3.9% as of May 31, 2025. The total estimated future minimum lease payments is \$1.3 million as of May 31, 2025. As of May 31, 2025, maturities of lease liabilities for the Company's operating leases were as follows (amounts in thousands):

| | | |
|-------------------------------------|----|--------------|
| FYE 26 | \$ | 369 |
| FYE 27 | | 287 |
| FYE 28 | | 137 |
| FYE 29 | | 105 |
| FYE 30 | | 51 |
| Thereafter | | 304 |
| Total | \$ | 1,253 |
| Less: Imputed interest | | (113) |
| Present value of lease liabilities: | \$ | <u>1,140</u> |

The weighted average lease term at May 31, 2025 was 5.65 years. The Company did not enter into any new leases during the three months ended May 31, 2025 and 2024.

The Company did not have any leases categorized as finance leases as of May 31, 2025 or February 28, 2025.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between six to twelve months

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. As of May 31, 2025, the Company is involved in the early stages of a legal dispute regarding fulfillment of the agreement to sell franchise rights and intangible assets in connection with the sale of U-Swirl, the Company's former subsidiary that has since been dissolved. The Company does not expect this to have a material impact on the business or financial condition. The Company is not a party to any other legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial condition or operating results.

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 13 - OPERATING SEGMENTS

The Company classifies its business interests into three reportable segments: Rocky Mountain Chocolate Factory, Inc. Franchising, Manufacturing, Retail Stores and Unallocated, which is the basis upon which the Company's Chief Operating Decision Maker (CODM), the interim chief executive officer, evaluates the Company's performance. The CODM uses the segment information in the annual planning process and considers actual versus plan variances in evaluating the performance of the segments. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to these consolidated financial statements. The Company evaluates performance and allocates resources based on the segment operating profit or loss, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the differences in products and services:

Three Months Ended May 31, 2025

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Unallocated | Total |
|--|-------------|---------------|--------|-------------|----------|
| Total revenues | \$ 1,655 | \$ 4,542 | \$ 319 | \$ - | \$ 6,516 |
| Intersegment revenues | - | (143) | - | - | (143) |
| Revenue from external customers | 1,655 | 4,399 | 319 | - | 6,373 |
| <i>Costs and Expenses</i> | | | | | |
| Cost of Sales | - | 4,307 | 85 | - | 4,392 |
| Labor costs | 496 | - | 84 | 446 | 1,026 |
| Operating expenses | 93 | - | 122 | 21 | 236 |
| Professional fees | 94 | - | - | 296 | 390 |
| Other general & administrative expenses | 118 | - | - | 238 | 356 |
| | 801 | 4,307 | 291 | 1,001 | 6,400 |
| Depreciation and amortization, exclusive of depreciation and amortization expense of \$228 included in cost of sales (manufacturing segment) | 15 | - | 3 | 100 | 118 |
| Total costs and expenses | 816 | 4,307 | 294 | 1,101 | 6,518 |
| Segment profit (loss) | 839 | 92 | 25 | (1,101) | (145) |
| <i>Other income (expense)</i> | | | | | |
| Interest expense | - | - | - | (188) | (188) |
| Interest income | - | - | - | 9 | 9 |
| Other income (expense), net | - | - | - | (179) | (179) |
| Loss before income taxes | 839 | 92 | 25 | (1,280) | (324) |
| Income tax provision | - | - | - | - | - |
| Consolidated net loss | \$ 839 | \$ 92 | \$ 25 | \$ (1,280) | \$ (324) |
| <i>Other Segment Disclosures</i> | | | | | |
| Total assets | 1,936 | 13,947 | 776 | 3,437 | 20,096 |
| Capital expenditures | - | 98 | - | 70 | 168 |

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Three Months Ended May 31, 2024

| (\$'s in thousands) | Franchising | Manufacturing | Retail | Unallocated | Total |
|--|---------------|-----------------|---------------|-------------------|-------------------|
| Total revenues | \$ 1,128 | \$ 5,189 | \$ 322 | \$ - | \$ 6,639 |
| Intersegment revenues | - | (232) | - | - | (232) |
| Revenue from external customers | 1,128 | 4,957 | 322 | - | 6,407 |
| <i>Costs and Expenses</i> | | | | | |
| Cost of Sales | - | 5,465 | 121 | - | 5,586 |
| Labor costs | 558 | - | 114 | 457 | 1,129 |
| Operating expenses | 300 | - | 85 | 202 | 587 |
| Professional fees | 60 | - | - | 378 | 438 |
| Other general & administrative expenses | 53 | - | - | 202 | 255 |
| | 971 | 5,465 | 320 | 1,239 | 7,995 |
| Depreciation and amortization, exclusive of depreciation and amortization expense of \$196 included in cost of sales (manufacturing segment) | 13 | - | 3 | 26 | 42 |
| Total costs and expenses | 984 | 5,465 | 323 | 1,265 | 8,037 |
| Segment profit (loss) | 144 | (508) | (1) | (1,265) | (1,630) |
| Other income (expense) | | | | | |
| Interest expense | - | - | - | (35) | (35) |
| Interest income | - | - | - | 7 | 7 |
| Other income (expense), net | - | - | - | (28) | (28) |
| Loss before income taxes | 144 | (508) | (1) | (1,293) | (1,658) |
| Income tax provision | - | - | - | - | - |
| Consolidated net loss | <u>\$ 144</u> | <u>\$ (508)</u> | <u>\$ (1)</u> | <u>\$ (1,293)</u> | <u>\$ (1,658)</u> |
| <i>Other Segment Disclosures</i> | | | | | |
| Total assets | 989 | 12,947 | 505 | 4,579 | 19,020 |
| Capital expenditures | 7 | - | - | 410 | 417 |

NOTE 14 - INCOME TAXES

The Company provides for income taxes pursuant to the liability method. The liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax basis of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income, in the appropriate tax jurisdictions, in future years, to obtain benefit from the reversal of net deductible temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. A valuation allowance to reduce the carrying amount of deferred income tax assets is established when it is more likely than not that we will not realize some portion or all of the tax benefit of our deferred income tax assets. The Company evaluates, on a quarterly basis, whether it is more likely than not that its deferred income tax assets are realizable based upon recent past financial performance, tax reporting

Rocky Mountain Chocolate Factory, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

positions, and expectations of future taxable income. The determination of deferred tax assets is subject to estimates and assumptions. The Company periodically evaluates its deferred tax assets to determine if its assumptions and estimates should change.

The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts are recognized for income tax related interest and penalties as a component of general and administrative expense in the statement of income.

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

The following discussion and analysis of financial condition and results of operations is qualified by reference and should be read in conjunction with the consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on 10-K, filed with the SEC on June 20, 2025, for the fiscal year ended February 28, 2025.

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, the following discussion contains certain forward-looking information. See "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report for certain information concerning forward-looking statements.

Overview

Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, and its subsidiaries (including its operating subsidiary with the same name, Rocky Mountain Chocolate Factory, Inc., a Colorado corporation) ("RMCF") (referred to as the "Company," "we," "us," or "our") is an international franchisor, confectionery producer and retail operator. Founded in 1981, we are headquartered in Durango, Colorado and produce an extensive line of premium chocolate products and other confectionery products. Our revenues and profitability are derived principally from our franchised/licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples. We also sell our confectionery products in select locations outside of our system of retail stores and license the use of our brand with certain consumer products. As of May 31, 2025, there were 2 Company-owned, 114 licensee-owned and 139 franchised Rocky Mountain Chocolate Factory stores operating in 34 states and the Philippines.

In the fiscal year ended February 28, 2025, the Company entered into a credit agreement (the "Credit Agreement") with RMC Credit Facility, LLC ("RMC"). Pursuant to the Credit Agreement, the Company received an advance in the principal amount of \$6.0 million, which advance is evidenced by a promissory note (the "Note"). The Note will mature on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. RMC is a special purpose investment entity affiliated with Steven L. Craig, one of the members of the Company's board of directors.

Current Trends Affecting Our Business and Outlook

As a result of recent macroeconomic inflationary trends and disruptions to the global supply chain, we have experienced and expect to continue experiencing higher raw material, labor, and freight costs. We have experienced labor and logistics challenges, which have contributed to lower factory, retail and e-commerce sales. In addition, we could experience additional lost sale opportunities if our products are not available for purchase as a result of continued disruptions in our supply chain relating to an inability to obtain raw materials or packaging, or if we or our franchisees experience delays in stocking our products.

We are subject to seasonal fluctuations in sales because of key holidays and the location of our franchisees, which have traditionally been located in high traffic areas such as resorts or tourist locations, and the nature of the products we sell, which are seasonal. Historically, the strongest sales of our products have occurred during key holidays and summer vacation seasons. Additionally, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings and the sales of new franchise locations. Because of the seasonality of our business and the impact of new store openings and sales of new franchises, results for any quarter are not necessarily indicative of results that may be achieved in other quarters or for a full fiscal year.

The most important factors in continued growth in our earnings are our ability to increase the sales of premium chocolate products produced in our Durango production facility, and the support of our franchisees in increasing the frequency of customer visits and the average value of each customer transaction, along with ongoing e-commerce revenue growth, and new franchise store growth.

Our ability to successfully achieve expansion of our franchise systems depends on many factors not within our control including the availability of suitable sites for new store locations and the availability of qualified franchisees to support our expansion plans.

Efforts to increase same store pounds purchased from our production facility by franchised stores and to increase total Durango production depend on many factors, including new store openings, effective e-commerce initiatives, industry competition, the receptivity of our franchise system to our product introductions and promotional programs.

Results of Continuing Operations

Three Months Ended May 31, 2025 Compared To the Three Months Ended May 31, 2024

Results Summary

Basic loss per share decreased from a loss of \$(0.26) per share for the three months ended May 31, 2024 to a loss of \$(0.04) per share for the three months ended May 31, 2025. Revenues decreased by 0.5% for the three months ended May 31, 2024 compared to the three months ended May 31, 2025. Operating loss was \$1.6 million for the three months ended May 31, 2024 compared to an operating loss of \$0.1 million for the three months ended May 31, 2025. Net loss decreased from a loss of \$1.7 million for the three months ended May 31, 2024 to a net loss of \$0.3 million for the three months ended May 31, 2025.

REVENUES

| (\$'s in thousands) | Three Months Ended May 31, | | \$ Change | % Change |
|----------------------------------|-------------------------------|-----------------|----------------|---------------|
| | 2025 | 2024 | | |
| Durango product and retail sales | \$ 4,718 | \$ 5,279 | \$ (561) | (10.6)% |
| Franchise fees | 36 | 70 | (34) | (48.6)% |
| Royalty and marketing fees | 1,619 | 1,058 | 561 | 53.0% |
| Total | <u>\$ 6,373</u> | <u>\$ 6,407</u> | <u>\$ (34)</u> | <u>(0.5)%</u> |

Durango Product and Retail Sales

The decrease in total sales of 10.6%, or \$0.6 million, for the three months ended May 31, 2025 compared to the three months ended May 31, 2024 was primarily due to the non-renewal of an unprofitable contract with a specialty market customer.

We continue to rationalize product offerings to improve production efficiencies, while adding new products we believe can generate high sales volumes and gross profit margins at or above our average level for bulk and packaged items. We continue to focus on our marketing efforts to increase total pounds purchased by franchise locations.

Royalties, Marketing Fees and Franchise Fees

Royalty and marketing fees increased \$0.6 million during the three months ended May 31, 2025 compared to the three months ended May 31, 2024. Franchisees pay higher royalties on sales revenue generated from products made in the store than on sale revenue generated on products purchased from the Company. Sales of store made product increased in the current period. The decrease in franchise fee revenue of \$34 thousand during the three months ended May 31, 2025 compared to the three months ended May 31, 2024 was primarily the result of fewer store openings.

COSTS AND EXPENSES

| (\$'s in thousands) | Three Months Ended May 31, | | \$ Change | % Change |
|---|-------------------------------|----------|--------------|-------------|
| | 2025 | 2024 | | |
| Total cost of sales | \$ 4,392 | \$ 5,586 | \$ (1,194) | (21.4)% |
| Franchise costs | 595 | 541 | 54 | 10.0% |
| Sales and marketing | 206 | 430 | (224) | (52.1)% |
| General and administrative | 1,001 | 1,239 | (238) | (19.2)% |
| Retail operating | 206 | 199 | 7 | 3.5% |
| Depreciation and amortization, exclusive of depreciation and amortization expense of \$228 and \$196, respectively, included in cost of sales | 118 | 42 | 76 | 181.0% |
| Total | \$ 6,518 | \$ 8,037 | \$ (1,519) | (18.9)% |

| (\$'s in thousands) | Three Months Ended May 31, | | \$ Change | % Change |
|-------------------------|-------------------------------|----------|--------------|-------------|
| | 2025 | 2024 | | |
| Total gross margin | \$ 326 | \$ (307) | \$ 633 | 206.2% |
| Gross margin percentage | 6.9% | (5.8)% | 13% | 218.8% |

Adjusted Gross Margin

| (a non-GAAP measure) (\$'s in thousands) | Three Months Ended May 31, | | \$ Change | % Change |
|--|-------------------------------|----------|--------------|-------------|
| | 2025 | 2024 | | |
| Total gross margin | \$ 326 | \$ (307) | \$ 633 | 206.2% |
| Plus: depreciation and amortization | 228 | 196 | 32 | 16.3% |
| Total Adjusted Gross Margin (non-GAAP measure) | \$ 554 | \$ (111) | \$ 665 | 599.1% |
| Total Adjusted Gross Margin (non-GAAP measure) | 11.7% | (2.1)% | 14% | 658.4% |

Non-GAAP Measures

In addition to the results provided in accordance with GAAP, we provide certain non-GAAP measures, which present results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with GAAP. Adjusted gross margin is a non-GAAP measure. Adjusted gross margin is equal to the sum of our total gross margin plus depreciation and amortization calculated in accordance with GAAP. We believe adjusted gross margin is helpful in understanding our past performance as a supplement to gross margin, and other performance measures calculated in conformity with GAAP. We believe that adjusted gross margin is useful to investors because they provide a measure of operating performance and our ability to generate cash that is unaffected by non-cash accounting measures. Additionally, we use adjusted gross margin rather than gross margin to make incremental pricing decisions. Adjusted gross margin has limitations as analytical tools because they exclude the impact of depreciation and amortization expense and you should not consider it in isolation or as a substitute for any measure reported under GAAP. Our use of capital assets makes depreciation and amortization expense a necessary element of our costs and our ability to generate income. Due to these limitations, we use adjusted gross margin as measures of performance only in conjunction with GAAP measures of performance such as gross margin.

[Table of Contents](#)

Cost of Sales and Gross Margin

Total gross margin percentage increased to 6.9% for the three months ended May 31, 2025 compared to a gross margin of (5.8)% during the three months ended May 31, 2024, due primarily to the cancellation of certain unprofitable contracts. The Company also adjusted sales prices as of March 1, 2025 to achieve targeted margins.

Franchise Costs

The increase in franchise costs for the three months ended May 31, 2025 compared to the three months ended May 31, 2024 was due primarily to costs incurred to create a support framework for our franchise network. As a percentage of total royalty and marketing fees and franchise fee revenue, franchise costs decreased to 36.0% for the three months ended May 31, 2025 from 48.0% for the three months ended May 31, 2024. This decrease as a percentage of royalty, marketing and franchise fees is primarily a result of the increase in royalty fees. As a percentage of total revenue, franchise costs increased to 9.3% during the three months ended May 31, 2025, compared to 8.4% during the three months ended May 31, 2024.

Sales and Marketing

The decrease in sales and marketing costs during the three months ended May 31, 2025 compared to the three months ended May 31, 2024 was due primarily to cost cutting measures as we re-evaluate our marketing strategies. As a percentage of total revenues, sales and marketing expenses decreased to 3.2% during the three months ended May 31, 2025, compared to 6.7% during the three months ended May 31, 2024.

General and Administrative

The decrease in general and administrative costs during the three months ended May 31, 2025 compared to the three months ended May 31, 2024, was due primarily to various cost cutting measures. As a percentage of total revenues, general and administrative expenses decreased to 15.7% during the three months ended May 31, 2025, compared to 19.3% during the three months ended May 31, 2024.

Retail Operating Expenses

Retail operating expenses increased 3.5% during the three months ended May 31, 2025 compared to the three months ended May 31, 2024. This increase is primarily the result of inflation. As a percentage of total revenues, retail operating expenses increased to 3.2% during the three months ended May 31, 2025 compared to 3.1% during the three months ended May 31, 2024.

Depreciation and Amortization

Depreciation and amortization, exclusive of depreciation and amortization included in cost of sales, was \$118 thousand during the three months ended May 31, 2025, an increase of 181.0% from \$42 thousand during the three months ended May 31, 2024. Depreciation and amortization included in cost of sales increased 16.3% during the three months ended May 31, 2025 compared to the three months ended May 31, 2024. This increase was the result of investments in computer software and production equipment.

Other Income (Expense)

Other expense was \$179 thousand during the three months ended May 31, 2025, compared to other expense of \$28 thousand during the three months ended May 31, 2024. This represents interest income of \$9 thousand for the three months ended May 31, 2025 compared to \$7 thousand for the three months ended May 31, 2024, and interest expense of \$188 thousand for the three months ended May 31, 2025 compared to \$35 thousand during for the three months ended May 31, 2024.

Liquidity and Capital Resources

As of May 31, 2025, working capital was \$2.2 million compared with \$2.4 million as of February 28, 2025. The decrease in working capital was due primarily to the collection of accounts receivable to fund the purchase of property and equipment. Expected future cash requirements include lease liabilities, purchase obligations, and capital expenditures to support the expected future growth of the business. Our Credit Agreement does not require repayment until maturity in September 2027.

Cash and cash equivalent balances increased from \$0.7 million as of February 28, 2025 to \$0.9 million as of May 31, 2025 primarily as a result of cash provided by operating activities. Our current ratio was 1.36 to 1.0 on May 31, 2025 compared to 1.34 to 1.0 on February 28, 2025. We monitor current and anticipated future levels of cash and cash equivalents in relation to anticipated operating, financing and investing requirements.

During the three months ended May 31, 2025, we had a consolidated net loss of \$0.3 million. Operating activities provided cash of \$0.4 million, with the principal adjustments to reconcile net income to net cash provided by operating activities being depreciation and amortization of \$0.3 million and stock-based compensation of \$0.1 million. During the three months ended May 31, 2024, we had a consolidated net loss of \$1.7 million. Operating activities used cash of \$2.2 million, with the principal adjustments to reconcile net income to net cash used in operating activities being depreciation and amortization of \$0.2 million, loss on disposal of property and equipment of \$0.1 million, and stock compensation expense of \$40 thousand.

During the three months ended May 31, 2025, investing activities used cash of \$177 thousand, primarily due to the purchase of property and equipment of \$0.2 million. In comparison, investing activities used cash of \$38 thousand during the three months ended May 31, 2024, primarily due to purchases of property and equipment of \$0.4 million, offset by proceeds from the sale of assets of \$0.4 million and proceeds received on notes receivable of \$21 thousand.

There were no cash flows from financing activities during the three months ended May 31, 2025 compared to \$0.8 million cash flows from financing activities during the three months ended May 31, 2024. The Company drew down \$0.8 million on its revolving line of credit during the three months ended May 31, 2024.

The conditions above raise substantial doubt regarding our ability to continue as a going concern for a period of at least one year after the date of issuance of these financial statements. In addition, our independent registered public accounting firm, in their report on the Company's February 28, 2025, audited financial statements, raised substantial doubt about the Company's ability to continue as a going concern.

Credit Agreement

On September 30, 2024, we entered into the Credit Agreement with RMC. Pursuant to the Credit Agreement, we received an advance in the principal amount of \$6.0 million, which advance is evidenced by the Note. The Note will mature on the Maturity Date, and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by our Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as our accounts receivable and cash accounts. As of May 31, 2025, \$6.0 million was outstanding on the Credit Agreement.

The Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The Credit Agreement also limits our capital expenditures to \$3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio.

The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of May 31, 2025. We have received a waiver from the Lender as of the date of issuance of these financial statements and are in compliance with all other aspects of the Credit Agreement.

We will continue to explore additional means of strengthening our liquidity position and ensuring compliance with our debt financing covenants, which may include the obtaining of waivers from our lenders.

Significant Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with GAAP and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 1, "Nature of Operations and Summary of Significant Accounting Policies" of the Notes to the Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report and in the Notes to Consolidated Financial Statements in Part II, Item 8 in our Annual Report on Form 10-K for the fiscal year ended February 28, 2025 describe the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. There have been no material changes to the Company's significant accounting policies disclosed in our Annual Report on Form 10-K for the fiscal year ended February 28, 2025.

Off Balance Sheet Arrangements

As of May 31, 2025, except for the purchase obligations as described below, we had no material off-balance sheet arrangements or obligations.

As of May 31, 2025, we had purchase obligations of approximately \$2.6 million. These purchase obligations primarily consist of contractual obligations for future purchases of commodities for use in our manufacturing.

Impact of Inflation

Inflationary factors such as increases in the costs of raw materials and labor directly affect the Company's operations. Most of the Company's leases provide for cost-of-living adjustments and require it to pay taxes, insurance and maintenance expenses, all of which are subject to inflation. Additionally, the Company's future lease cost for new facilities may include potentially escalating costs of real estate and construction. There is no assurance that the Company will be able to pass on increased costs to its customers.

Depreciation expense is based on the historical cost to the Company of its fixed assets and is therefore potentially less than it would be if it were based on the current replacement cost. While property and equipment acquired in prior years will ultimately have to be replaced at higher prices, it is expected that replacement will be a gradual process over many years.

Seasonality

We are subject to seasonal fluctuations in sales, which cause fluctuations in quarterly results of operations. Historically, the strongest sales of our products have occurred during key holidays and the summer vacation season. In addition, quarterly results have been, and in the future are likely to be, affected by the timing of new store openings and the sales of new franchise locations. Because of the seasonality of our business and the impact of new store openings and sales of new franchises, results for any quarter are not necessarily indicative of results that may be achieved in other quarters or for a full fiscal year.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures and Changes in Internal Control Over Financial Reporting

Disclosure Controls and Procedures — The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), that are designed to ensure that material information relating to the Company is made known to the officers who certify the Company's financial reports and to other members of senior management and the Company's board of directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure

that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management, under the supervision and with the participation of our Interim Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the Company's disclosure controls and procedures. Based on that evaluation, our Interim Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of May 31, 2025.

Changes in Internal Control over Financial Reporting — There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that occurred during the quarter ended May 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any pending legal actions that would, if determined adversely to us, have a material adverse effect on our business and operations.

We may, from time to time, become involved in disputes and proceedings arising in the ordinary course of business. In addition, as a public company, we are also potentially susceptible to litigation, such as asserting violations of securities laws. Any such claims, with or without merit, if not resolved, could be time-consuming and result in costly litigation. There can be no assurance that an adverse result in any future proceeding would not have a potentially material adverse effect on our business, results of operations, and financial condition.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part 1, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 28, 2025, filed with the SEC on June 20, 2025. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended February 28, 2025.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended May 31, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K under the Securities Act).

On July 11, 2025, there were approximately 431 record holders of our common stock. This figure does not include an estimate of the number of beneficial holders whose shares are held of record by banks, broker or other nominees.

Item 6. Exhibits

| Exhibit Number | Description | Incorporated by Reference or Filed/Furnished Herewith |
|---------------------------|---|--|
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| 32.1* | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| 32.2* | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| 101.INS | Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) (1) | Filed herewith. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents | Filed herewith. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101) | Filed herewith. |

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

(1) These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

Signature

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

Date: July 15, 2025

/s/ Jeffrey R. Geygan
JEFFREY R. GEYGAN
Interim Chief Executive Officer
(Principal Executive Officer)

Date: July 15, 2025

/s/ Carrie E. Cass
CARRIE E. CASS
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey R. Geygan, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Rocky Mountain Chocolate Factory, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: July 15, 2025

By: /s/ Jeffrey R. Geygan
Jeffrey R. Geygan, Interim Chief Executive Officer
(Principal Executive Officer and Interim Chief Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carrie E. Cass, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rocky Mountain Chocolate Factory, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - i. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - ii. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - iii. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - iv. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 15, 2025

By: /s/ Carrie E. Cass
Carrie E. Cass, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the Quarterly Report of Rocky Mountain Chocolate Factory, Inc. (the "Company") on Form 10-Q for the quarterly period ended May 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey R. Geygan, Interim Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 15, 2025

By: /s/ Jeffrey R. Geygan
**Jeffrey R. Geygan, Interim Chief Executive Officer (Principal Executive Officer
and Interim Chief Executive Officer)**

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350 and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Rocky Mountain Chocolate Factory, Inc. (the "Company") on Form 10-Q for the quarterly period ended May 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carrie E. Cass, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 15, 2025

By: /s/ Carrie E. Cass
Carrie E. Cass, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350 and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
