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 November 30, 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	**47-1535633**
(State or other jurisdiction of incorporation or organization)	**(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	Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

On January 8, 2026, the registrant had 9,332,822 shares of common stock, $0.001 par value per share, outstanding.

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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, financial covenants in our credit agreements 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 November 30,		Nine Months Ended November 30,	
	2025	2024	2025	2024
Revenues				
Sales	$ 6,332	$ 6,719	$ 16,233	$ 16,916
Franchise and royalty fees	1,211	1,174	4,506	3,764
Total Revenue	7,543	7,893	20,739	20,680
Costs and Expenses				
Cost of sales	4,979	6,044	14,587	15,980
Franchise costs	590	616	1,737	2,109
Sales and marketing	242	272	671	840
General and administrative	1,158	1,427	3,135	4,288
Retail operating	380	171	813	564
Depreciation and amortization, exclusive of depreciation and amortization expense of $233, $211, $698 and $598, respectively, included in cost of sales	112	63	338	143
Total costs and expenses	7,461	8,593	21,281	23,924
Income (Loss) from Operations	82	(700)	(542)	(3,244)
Other Income (Expense)				
Interest expense	(243)	(160)	(621)	(258)
Interest income	6	7	22	21
Gain on disposal of assets	-	6	-	254
Other (expense) income, net	(237)	(147)	(599)	17
Loss Before Income Taxes	(155)	(847)	(1,141)	(3,227)
Income Tax Provision (Benefit)	-	-	-	-
Net Loss	$ (155)	$ (847)	$ (1,141)	$ (3,227)
Basic Loss per Common Share	$ (0.02)	$ (0.11)	$ (0.15)	$ (0.47)
Diluted Loss per Common Share	$ (0.02)	$ (0.11)	$ (0.15)	$ (0.47)
Weighted Average Common Shares Outstanding - Basic	7,799,396	7,643,690	7,775,948	6,883,263
Dilutive Effect of Employee Stock Awards	-	-	-	-
Weighted Average Common Shares Outstanding - Diluted	7,799,396	7,643,690	7,775,948	6,883,263

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

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

	November 30, 2025 (unaudited)	February 28, 2025
Assets		
Current Assets		
Cash and cash equivalents	$ 641	$ 720
Accounts receivable, less allowance for credit losses of $157 and $307, respectively	3,851	3,405
Notes receivable, current portion, less current portion of the allowance for credit losses of $28	66	11
Refundable income taxes	64	64
Inventories	3,962	4,630
Other	481	393
Total current assets	9,065	9,223
Property and Equipment, Net	8,820	9,409
Other Assets		
Notes receivable, net of current portion	51	69
Goodwill	576	576
Intangible assets, net	190	210
Lease right of use asset	1,430	1,241
Other	596	447
Total other assets	2,843	2,543
Total Assets	$ 20,728	$ 21,175
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 3,450	$ 4,816
Accrued salaries and wages	636	697
Gift card liabilities	652	649
Other accrued expenses	162	80
Contract liabilities	103	139
Lease liability, current portion	460	488
Total current liabilities	5,463	6,869
Notes payable	7,770	5,957
Lease liability, less current portion	992	770
Contract liabilities, less current portion	497	604
Total Liabilities	14,722	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, 7,804,230 shares and 7,722,174 shares issued and outstanding, respectively	8	8
Additional paid-in capital	12,527	12,355
Accumulated deficit	(6,529)	(5,388)
Total stockholders' equity	6,006	6,975
Total Liabilities and Stockholders' Equity	$ 20,728	$ 21,175

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)

	Nine Months Ended November 30,	
	2025	2024
Cash Flows from Operating Activities		
Net Loss	$ (1,141)	$ (3,227)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,036	741
Provision for obsolete inventory	17	(147)
Provision for loss on accounts and notes receivable	(145)	51
Gain on disposal of assets	-	(254)
Amortization of debt issuance costs	13	-
Equity compensation	172	237
Changes in operating assets and liabilities:		
Accounts receivable	(413)	(1,597)
Refundable income taxes	-	(17)
Inventories	675	(450)
Other current assets	(88)	187
Accounts payable	(1,390)	(2,091)
Accrued liabilities	28	(1,134)
Contract liabilities	(142)	(88)
Net cash used in operating activities	(1,378)	(7,789)
Cash Flows from Investing Activities		
Proceeds received on notes receivable	75	176
Proceeds from the sale of assets	-	1,909
Purchases of property and equipment	(262)	(2,148)
Acquisition	(165)	-
Increase in other assets	(149)	(79)
Net cash used in investing activities	(501)	(142)
Cash Flows from Financing Activities		
Proceeds from line of credit	-	2,200
Payment on line of credit	-	(3,450)
Proceeds from notes payable	1,800	6,000
Issuance of common stock through securities purchase agreement	-	2,188
Net cash provided by financing activities	1,800	6,938
Net Decrease in Cash and Cash Equivalents	(79)	(993)
Cash and Cash Equivalents, Beginning of Period	720	2,082
Cash and Cash Equivalents, End of Period	$ 641	$ 1,089

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)

	Nine Months Ended November 30, 2025						
	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
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	**-**	**-**	**7,764,484**	**8**	**12,436**	**(5,712)**	**6,732**
Equity compensation, restricted stock units, net of shares withheld	-	-	26,792	-	56	-	56
Net loss	-	-	-	-	-	(662)	(662)
Balances as of August 31, 2025	**-**	**-**	**7,791,276**	**8**	**12,492**	**(6,374)**	**6,126**
Equity compensation, restricted stock units, net of shares withheld	-	-	12,954	-	35	-	35
Net loss	-	-	-	-	-	(155)	(155)
Balances as of November 30, 2025	**-**	**$ -**	**7,804,230**	**$ 8**	**$ 12,527**	**$ (6,529)**	**$ 6,006**

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)

	Nine Months Ended November 30, 2024						
	Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained Earnings / (Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	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	**-**	**-**	**6,326,139**	**6**	**9,936**	**(924)**	**9,018**
Equity compensation, restricted stock units, net of shares withheld	-	-	12,448	-	41	-	41
Issuance of common stock through securities purchase agreement	-	-	1,250,000	2	2,186	-	2,188
Net loss	-	-	-	-	-	(722)	(722)
Balances as of August 31, 2024	**-**	**-**	**7,588,587**	**8**	**12,163**	**(1,646)**	**10,525**
Equity compensation, restricted stock units, net of shares withheld	-	-	78,677	-	156	-	156
Net loss	-	-	-	-	-	(847)	(847)
Balances as of November 30, 2024	**-**	**$ -**	**7,667,264**	**$ 8**	**$ 12,319**	**$ (2,493)**	**$ 9,834**

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), (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 products 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 November 30, 2025:

	Stores Open at February 28, 2025	Opened	Closed	Transferred	Stores Open at November 30, 2025
Rocky Mountain Chocolate Factory					
Company-owned stores	2	-	-	1	3
Franchise stores - Domestic stores and kiosks	138	2	(3)	(1)	136
International license stores	3	-	-	-	3
Cold Stone Creamery - co-branded	107	-	(5)	-	102
U-Swirl - co-branded	10	-	-	-	10
Total	260				254

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 nine months ended November 30, 2025, the Company incurred a net loss of $1.1 million and used cash in operating activities of $1.4 million. The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of November 30, 2025 for both of its debt agreements (see Note 8). The Company has received a waiver from its lenders as of the date of the quarterly report and is in compliance with all other aspects of its debt agreements. These factors raise substantial doubts about the Company's ability to continue as a going concern within one year after the date that these condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

On December 18, 2025, the Company entered into a securities purchase agreement with ARM-D Rocky Mountain Chocolate Holdings, LLC (the "Purchaser"), pursuant to which, amount other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total proceeds of approximately $2.7 million. We plan to subsequently register the shares for resale by the Purchaser on a Form S-1.

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 and alternatives sources of debt financing to reduce interest expense. During the next twelve months, the Company intends to continue to 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, current and new specialty market customers and e-commerce customers. The Company also intends to develop and enhance third-party delivery channels for all current and new franchised locations, including introducing new websites for each location which is expected to increase franchise sales. The Company has implemented a corporate sales strategy to add new stores and transfer existing stores to new owners when appropriate, while also requiring most existing stores to undergo a remodel which has historically resulted in increased store level sales after completion. 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 accordance with GAAP for interim financial reporting and Securities and Exchange Commission ("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 nine months ended November 30, 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 the financial statements and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements other than those described in Note 8 - Notes Payable and Note 9 - Common Stock.

NOTE 2 - SUPPLEMENTAL CASH FLOW INFORMATION

($'s in thousands)	Nine Months Ended November 30,			
Cash paid (received) for:	2025		2024	
Interest	$	621	$	258
Income taxes		-		17
Supplemental disclosure of non-cash operating activities:				
Non-cash additions to operating lease ROU assets and liabilities	$	539	$	-
Receivable from Sale of Held-for-Sale Assets	$	-	$	358
Supplemental disclosure of non-cash investing activities:				
Accounts receivable exchanged for notes receivable	$	112	$	-
Inventory accrued but not yet paid	$	24	$	766

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.

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

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 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 November 30, 2025 and November 30, 2024:

	Nine Months Ended November 30,	
($'s in thousands)	2025	2024
Contract liabilities at the beginning of the year:	$ 743	$ 828
Revenue recognized	(163)	(189)
Contract fees received	20	101
Contract liabilities at the end of the period:	$ 600	$ 740

At November 30, 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	$ 27
FYE 2027	100
FYE 2028	93
FYE 2029	81
FYE 2030	71
Thereafter	228
Total	$ 600

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 nine months ended November 30, 2025 or nine months ended November 30, 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.

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

NOTE 4 – DISAGGREGATION OF REVENUE

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

Three Months Ended November 30, 2025

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 95	$ -	$ -	$ 95

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 5,715	$ -	$ 5,715
Retail sales	-	-	617	617
Royalty and marketing fees	1,116	-	-	1,116
Total revenues recognized over time and point in time	$ 1,211	$ 5,715	$ 617	$ 7,543

Three Months Ended November 30, 2024

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 81	$ -	$ -	$ 81

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 6,359	$ -	$ 6,359
Retail sales	-	-	360	360
Royalty and marketing fees	1,093	-	-	1,093
Total revenues recognized over time and point in time	$ 1,174	$ 6,359	$ 360	$ 7,893

Nine Months Ended November 30, 2025

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 162	$ -	$ -	$ 162

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 14,863	$ -	$ 14,863
Retail sales	-	-	1,370	1,370
Royalty and marketing fees	4,344	-	-	4,344
Total revenues recognized over time and point in time	$ 4,506	$ 14,863	$ 1,370	$ 20,739

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

Nine Months Ended November 30, 2024

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 189	$ -	$ -	$ 189

Revenues recognized at a point in time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Durango Product sales	$ -	$ 15,840	$ -	$ 15,840
Retail sales	-	-	1,076	1,076
Royalty and marketing fees	3,575	-	-	3,575
Total revenues recognized over time and point in time	$ 3,764	$ 15,840	$ 1,076	$ 20,680

NOTE 5 - INVENTORIES

Inventories at November 30, 2025 and February 28, 2025 consisted of the following:

($'s in thousands)	November 30, 2025	February 28, 2025
Ingredients and supplies	$ 2,263	$ 2,864
Finished candy	1,852	2,277
Reserve for slow moving inventory	(153)	(511)
Total inventories	$ 3,962	$ 4,630

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment at November 30, 2025 and February 28, 2025 consisted of the following:

($'s in thousands)	November 30, 2025	February 28, 2025
Land	$ 124	$ 124
Building	5,547	5,415
Machinery and equipment	15,058	14,904
Furniture and fixtures	660	519
Leasehold improvements	136	136
Transportation equipment	326	326
	21,851	21,424
Less accumulated depreciation	(13,031)	(12,015)
Property and equipment, net	$ 8,820	$ 9,409

Depreciation expense related to property and equipment totaled $0.3 million and $1.0 million during the three and nine months ended November 30, 2025 compared to $0.3 million and $0.7 million during the three and nine months ended November 30, 2024, respectively.

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NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets at November 30, 2025 and February 28, 2025 consisted of the following:

($'s in thousands)	Amortization Period (in Years)	November 30, 2025 Gross Carrying Value	November 30, 2025 Accumulated Amortization	February 28, 2025 Gross Carrying Value	February 28, 2025 Accumulated Amortization
Intangible assets subject to amortization					
Store design	10	$ 395	$ (308)	$ 395	$ (295)
Trademark/Non-competition agreements	5 - 20	250	(147)	259	(149)
Total		645	(455)	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		$ 1,221	$ (455)	$ 1,230	$ (444)

Amortization expense related to intangible assets totaled $7 thousand and $20 thousand during the three and nine months ended November 30, 2025 compared to approximately $7 thousand and $21 thousand during the three and nine months ended November 30, 2024, respectively.

At November 30, 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	$ 7
FYE 2027	27
FYE 2028	27
FYE 2029	27
FYE 2030	27
Thereafter	75
Total	$ 190

NOTE 8 – NOTES PAYABLE

Note Payable with RMC Credit Facility, LLC

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 a member of 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 accrues at a rate of

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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.

On August 28, 2025, the Company entered into a first amendment to the Credit Agreement. RMC agreed to make an additional advance to the Company in the principal amount of $0.6 million. There was no change to other terms of the agreement. In connection with the amendment, the Company and RMC agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and November 30, 2025. Loan origination fees incurred are immaterial.

As of November 30, 2025, the Company had $6.6 million outstanding on the Credit Agreement. Interest on the outstanding amount was paid through November 30, 2025. The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of November 30, 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. Covenants are measured quarterly.

Subsequent to November 30, 2025, the Company repaid $0.6 million of the $6.6 million outstanding.

Credit Agreement with RMCF2 Credit, LLC

On August 28, 2025, the Company entered into a new credit agreement ("RMCF2 Credit Agreement") with RMCF2 Credit, LLC (“RMCF2”), a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of the Company's board of directors. Pursuant to the new credit agreement, the Company received an advance in the principal amount of $1.2 million, which advance is evidenced by a promissory note (the “RMCF2 Note”). The RMCF2 Note matures on September 30, 2027 and interest accrues 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 RMCF2 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 RMCF2 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 RMCF2 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. Pursuant to the RMCF2 Credit Agreement, RMCF2 waived the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and November 30, 2025. Loan origination fees incurred are immaterial.

On November 30, 2025, the Company had $1.2 million outstanding on the RMCF2 Credit Agreement. The Company was not in compliance with the maximum liabilities to tangible net worth covenant of 2.0:1.0 as of November 30, 2025. The Company has received a waiver from RMCF2 as of the date of this Quarterly Report and is in compliance with all other aspects of the Credit Agreement. Covenants are measured quarterly.

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Subsequent to November 30, 2025, the Company repaid $0.6 million of the $1.2 million outstanding.

NOTE 9 – COMMON STOCK

Securities Purchase Agreement

On August 5, 2024, the Company entered into a securities purchase agreement with certain investors, including Steven L. Craig, an existing director of the Company (the "Investors"), pursuant to which, among other things, the Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Investors, an aggregate of 1,250,000 shares of the Company's common stock at a price per share equal to $1.75, for total proceeds of approximately $2.2 million. On September 5, 2024, the shares were subsequently registered for resale on a form S-1 that was declared effective by the SEC on October 9, 2024.

On December 18, 2025, the company entered into a securities purchase agreement with the Purchaser, pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total proceeds of approximately $2.7 million. We plan to subsequently register the shares for resale by the Purchaser on a Form S-1.

Stock Compensation Plans

Under the Company's 2007 Equity Incentive Plan (as amended and restated), 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 of directors 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 November 30, 2025, the 2024 Equity Incentive Plan has 676,132 shares unused and available for issuance.

The Company recognized $35 thousand and $0.2 million of stock-based compensation expense during the three and nine months ended November 30, 2025 compared with $0.2 million and $0.2 million during the three and nine months ended November 30, 2024, respectively. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards.

The following table summarizes non-vested restricted stock unit transactions for common stock during the nine months ended November 30, 2025:

	Nine Months Ended November 30, 2025
Outstanding non-vested restricted stock units at beginning of year:	235,664
Granted	11,091
Vested	(82,056)
Cancelled/forfeited	(30,758)
Outstanding non-vested restricted stock units as of November 30:	133,941
Weighted average grant date fair value of current year shares issued	$ 1.49
Weighted average remaining vesting period (in years)	0.93

During the nine months ended November 30, 2025, the Company granted 11,091 restricted stock units to a new member of the board of directors with a grant-date fair value of $17 thousand. During the nine months ended

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November 30, 2024, the Company granted 354,613 restricted stock units to various executives and members of the board of directors with a grant-date fair value of $ 1.0 million.

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 nine months ended November 30, 2025, 133,941 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. During the nine months ended November 30, 2024, 960,677 shares of common stock reserved for issuance under warrants and 163,738 shares of common stock underlying unvested restricted stock units and stock options 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 for two franchised store premises, which the Company then subleases to franchisees, but the majority of existing franchised locations are leased by the franchisee directly. For one of the two subleased locations, the Company had leased space for its Company-owned location. 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.

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 entered into three new leases during the nine months ended November 30, 2025, including the lease for the Durango retail location for 15 years in November 2025, for the Camarillo retail location for 10 years in August 2025 and the Miami office location for 3.5 years in August 2025 with a total increase in future lease payments of $1.3 million. The Company did not enter into any new leases during the nine months ended November 30, 2024.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. During the nine months ended November 30, 2025 and 2024, lease expense recognized in the consolidated statements of operations was $0.4 million and $0.4 million, respectively.

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

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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 10.6% and 3.9% as of November 30, 2025 and February 28, 2025, respectively. The total estimated future minimum lease payments are $2.3 million as of November 30, 2025.

As of November 30, 2025, maturities of lease liabilities for the Company's operating leases were as follows (amounts in thousands):

FYE 26	$	152
FYE 27		410
FYE 28		264
FYE 29		236
FYE 30		144
Thereafter		1,118
Total	$	2,324
Less: Imputed interest		(872)
Present value of lease liabilities:	$	1,452
Lease liability, current portion	$	460
Lease liability, less current portion	$	992

The weighted average lease term was 8.0 years and 5.8 years at November 30, 2025 and February 28, 2025, respectively.

The Company did not have any leases categorized as finance leases as of November 30, 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 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 November 30, 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 party to any other legal proceedings that

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are expected, individually or in the aggregate, to have a material adverse effect on its business, financial condition or operating results.

NOTE 13 - ACQUISITION

On August 15, 2025, the Company entered into an Asset Purchase Agreement with Crakim, Inc., to purchase substantially all assets related to the operation of a Rocky Mountain Chocolate Factory franchise located at Camarillo Premium Outlets, Camarillo, California. The assets acquired include inventory, equipment, trade fixtures, leasehold improvements, intellectual property, domain names, customer lists, and other tangible and intangible assets specified in the agreement. The Company did not assume any pre-existing liabilities of the seller. This is the Company's third retail store as a result of the acquisition. The Company is finalizing its purchase accounting however the amounts acquired are immaterial to the financial statements as a whole.

The total purchase price was approximately $0.2 million, consisting of (i) forgiveness of $69 thousand in franchise revenue owed by the seller to the Company, (ii) direct payments to lenders for $86 thousand of outstanding seller debts, and (iii) a holdback amount of $10 thousand, subject to post-closing asset inspection, which was paid in September 2025.

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NOTE 14 - 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 November 30, 2025 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 1,211	$ 5,918	$ 617	$ -	$ 7,746
Intersegment revenues	-	(203)	-	-	(203)
Revenue from external customers	1,211	5,715	617	-	7,543
Costs and Expenses					
Cost of Sales	-	4,850	129	-	4,979
Labor costs	545	-	149	460	1,154
Operating expenses	190	-	231	190	611
Professional fees	-	-	-	281	281
Other general & administrative expenses	96	-	-	228	324
	831	4,850	509	1,159	7,349
Depreciation and amortization, exclusive of depreciation and amortization expense of $233 included in cost of sales (manufacturing segment)	10	-	3	99	112
Total costs and expenses	841	4,850	512	1,258	7,461
Segment profit (loss)	370	865	105	(1,258)	82
Other income (expense)					
Interest expense	-	-	-	(243)	(243)
Interest income	-	-	-	6	6
Other income (expense), net	-	-	-	(237)	(237)
Income (loss) before income taxes	370	865	105	(1,495)	(155)
Income tax provision	-	-	-	-	-
Consolidated net income (loss)	$ 370	$ 865	$ 105	$ (1,495)	$ (155)
Other Segment Disclosures					
Total assets	1,744	14,418	1,415	3,151	20,728
Capital expenditures	-	120	-	111	231

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Three Months Ended November 30, 2024 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 1,174	$ 6,640	$ 360	$ -	$ 8,174
Intersegment revenues	-	(281)	-	-	(281)
Revenue from external customers	1,174	6,359	360	-	7,893
Costs and Expenses					
Cost of Sales	-	5,959	85	-	6,044
Labor costs	667	-	97	494	1,258
Operating expenses	74	-	74	104	252
Professional fees	51	-	-	499	550
Other general & administrative expenses	96	-	-	330	426
	888	5,959	256	1,427	8,530
Depreciation and amortization, exclusive of depreciation and amortization expense of $211 included in cost of sales (manufacturing segment)	15	-	2	46	63
Total costs and expenses	903	5,959	258	1,473	8,593
Segment profit (loss)	271	400	102	(1,473)	(700)
Other income (expense)					
Interest expense	-	-	-	(160)	(160)
Interest income	-	-	-	7	7
Gain on disposal of assets	-	-	-	6	6
Other income (expense), net	-	-	-	(147)	(147)
Income (loss) before income taxes	271	400	102	(1,620)	(847)
Income tax provision	-	-	-	-	-
Consolidated net income (loss)	$ 271	$ 400	$ 102	$ (1,620)	$ (847)
Other Segment Disclosures					
Total assets	1,134	15,619	509	4,372	21,634
Capital expenditures	-	488	-	119	607

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Nine Months Ended November 30, 2025 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 4,506	$ 15,366	$ 1,370	$ -	$ 21,242
Intersegment revenues	-	(503)	-	-	(503)
Revenue from external customers	4,506	14,863	1,370	-	20,739
Costs and Expenses					
Cost of Sales	-	14,263	324	-	14,587
Labor costs	1,563	-	333	1,307	3,203
Operating expenses	414	-	480	325	1,219
Professional fees	93	-	-	667	760
Other general & administrative expenses	337	-	-	837	1,174
	2,407	14,263	1,137	3,136	20,943
Depreciation and amortization, exclusive of depreciation and amortization expense of $698 included in cost of sales (manufacturing segment)	29	-	10	299	338
Total costs and expenses	2,436	14,263	1,147	3,435	21,281
Segment profit (loss)	2,070	600	223	(3,435)	(542)
Other income (expense)					
Interest expense	-	-	-	(621)	(621)
Interest income	-	-	-	22	22
Other income (expense), net	-	-	-	(599)	(599)
Income (loss) before income taxes	2,070	600	223	(4,034)	(1,141)
Income tax provision	-	-	-	-	-
Consolidated net income (loss)	$ 2,070	$ 600	$ 223	$ (4,034)	$ (1,141)
Other Segment Disclosures					
Total assets	1,744	14,418	1,415	3,151	20,728
Capital expenditures	-	133	177	117	427

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Nine Months Ended November 30, 2024 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 3,764	$ 16,552	$ 1,076	$ -	$ 21,392
Intersegment revenues	-	(712)	-	-	(712)
Revenue from external customers	3,764	15,840	1,076	-	20,680
Costs and Expenses					
Cost of Sales	-	15,666	314	-	15,980
Labor costs	1,782	-	318	1,694	3,794
Operating expenses	702	-	246	501	1,449
Professional fees	184	-	-	1,315	1,499
Other general & administrative expenses	281	-	-	778	1,059
	2,949	15,666	878	4,288	23,781
Depreciation and amortization, exclusive of depreciation and amortization expense of $598 included in cost of sales (manufacturing segment)	37	-	8	98	143
Total costs and expenses	2,986	15,666	886	4,386	23,924
Segment profit (loss)	778	174	190	(4,386)	(3,244)
Other income (expense)					
Interest expense	-	-	-	(258)	(258)
Interest income	-	-	-	21	21
Gain (loss) on sale of assets	-	-	-	254	254
Other income, net	-	-	-	-	-
Other income (expense), net	-	-	-	17	17
Income (loss) before income taxes	778	174	190	(4,369)	(3,227)
Income tax provision	-	-	-	-	-
Consolidated net income (loss)	$ 778	$ 174	$ 190	$ (4,369)	$ (3,227)
Other Segment Disclosures					
Total assets	1,134	15,619	509	4,372	21,634
Capital expenditures	-	1,453	-	695	2,148

NOTE 15 - 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 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 November 30, 2025, there were 3 Company-owned, 112 licensee-owned and 139 franchised Rocky Mountain Chocolate Factory stores operating in 36 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 accrues 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.

On August 28, 2025, the Company entered into a first amendment to the Credit Agreement. RMC agreed to make an additional advance to the Company in the principal amount of $0.6 million, There was no change to other terms of the agreement. In connection with the amendment, the Company and RMC agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and November 30, 2025. The Company was not in compliance with the covenant as of November 30, 2025. All other covenants were met. Subsequent to November 30, 2025, the Company repaid $0.6 million of the $6.6 million outstanding.

On August 28, 2025, the Company entered into a new credit agreement ("RMCF2 Credit Agreement") with RMCF2 Credit, LLC ("RMCF2"), a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of the Company's board of directors.

Pursuant to the new credit agreement, RMCF2 agreed to make an advance to the Company in the principal amount of $1.2 million, which advance is evidenced by a promissory note (the "RMCF2 Note"). The RMCF2 Note matures on September 30, 2027 and interest accrues 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 RMCF2 Credit Agreement contains customary events of default as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The RMCF2 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. Pursuant to the RMCF2 Credit Agreement, RMCF2 agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and

November 30, 2025. At November 30, 2025, all covenants were met with the exception of the covenant for the maximum ratio of total liabilities to total net worth. Subsequent to November 30, 2025, the Company repaid $0.6 million of the $1.2 million outstanding.

On December 18, 2025, the Company entered into a securities purchase agreement with ARM-D Rocky Mountain Chocolate Holdings LLC (the “Purchaser”) , pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total proceeds of approximately $2.7 million. We plan to subsequently register the shares for resale by the Purchaser on a Form S-1.

Business and Outlook

As a result of recent macroeconomic inflationary trends and federally imposed tariffs on certain imported items, we have experienced and expect to continue experiencing higher raw material, labor, and freight costs, although these trends have moderated during the quarter. We have experienced labor and logistics challenges, which have contributed to higher cost of goods sold. 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. The Company recently signed four area development agreements that include the addition of 34 new franchise stores over the next three to five years.

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 November 30, 2025 Compared To the Three Months Ended November 30, 2024

Results Summary

Basic loss per share improved from a loss of $(0.11) per share for the three months ended November 30, 2024 to a loss of $(0.02) per share for the three months ended November 30, 2025. Revenues decreased by 4.4% from $7.9 million for the three months ended November 30, 2024 to $7.5 million for the three months ended November 30, 2025. Operating loss was $0.7 million for the three months ended November 30, 2024 compared to an operating income of $0.1 million for the three months ended November 30, 2025.

REVENUES

($'s in thousands)	Three Months Ended November 30, 2025	2024	$ Change	% Change
Durango product and retail sales	$ 6,332	$ 6,719	(387)	(5.8)%
Franchise fees	95	81	14	17.3%
Royalty and marketing fees	1,116	1,093	23	2.1%
Total	$ 7,543	$ 7,893	$ (350)	(4.4)%

Durango Product and Retail Sales

The decrease in Durango product and retail sales of 5.8%, or $0.4 million for the three months ended November 30, 2025 compared to the three months ended November 30, 2024 was primarily due to the non-renewal of an unprofitable contract with a specialty market customer.

Royalties, Marketing Fees and Franchise Fees

Royalty and marketing fees increased 2.1% or $23 thousand during the three months ended November 30, 2025 compared to the three months ended November 30, 2024. Franchisees pay higher royalties on sales of revenue generated from products made in the store than products purchased from the Company under the Company's historic franchise agreement. Franchisees generally sell more products purchased from the Company during the holidays. The increase in franchise fee revenue of $14 thousand during the three months ended November 30, 2025 compared to the three months ended November 30, 2024 was not material.

COSTS AND EXPENSES

($'s in thousands)	Three Months Ended November 30, 2025	2024	$ Change	% Change
Total cost of sales	$ 4,979	$ 6,044	$ (1,065)	(17.6)%
Franchise costs	590	616	(26)	(4.2)%
Sales and marketing	242	272	(30)	(11.0)%
General and administrative	1,158	1,427	(269)	(18.9)%
Retail operating	380	171	209	122.2%
Depreciation and amortization, exclusive of depreciation and amortization expense of $233 and $211, respectively, included in cost of sales	112	63	49	77.8%
Total	$ 7,461	$ 8,593	$ (1,132)	(13.2)%

Gross Margin

($'s in thousands)	Three Months Ended November 30, 2025	2024	$ Change	% Change
Total gross margin	$ 1,353	$ 675	$ 678	100.4%
Gross margin percentage	21.4%	10.0%	11%	112.7%

Cost of Sales and Gross Margin

Total gross margin percentage increased to 21.4% for the three months ended November 30, 2025 compared to a gross margin of 10.0% during the three months ended November 30, 2024, due primarily to sales price increases.

Franchise Costs

The decrease in franchise costs for the three months ended November 30, 2025 compared to the three months ended November 30, 2024 was due to operational efficiencies and cost cutting measures.

Sales and Marketing

The decrease in sales and marketing costs during the three months ended November 30, 2025 compared to the three months ended November 30, 2024 was due to operational efficiencies and in part due to timing of anticipated expenses.

General and Administrative

The decrease in general and administrative costs during the three months ended November 30, 2025 compared to the three months ended November 30, 2024, was due primarily to cost cutting measures. As a percentage of total revenues, general and administrative expenses decreased to 15.4% during the three months ended November 30, 2025, compared to 18.1% during the three months ended November 30, 2024.

Retail Operating Expenses

Retail operating expenses increased 122.2% during the three months ended November 30, 2025 compared to the three months ended November 30, 2024. This increase is primarily the result of the purchase of a third retail store during in August 2025 and in part due to the timing of expenses.

Depreciation and Amortization

Depreciation and amortization, exclusive of depreciation and amortization included in cost of sales was $0.1 million during the three months ended November 30, 2025, an increase of 77.8% from $63 thousand during the three months ended November 30, 2024. Depreciation and amortization included in cost of sales increased 10.4% from $0.21 million during the three months ended November 30, 2024 to $0.23 million during the three months ended November 30, 2025. This increase was the result of prior year investments in equipment.

Total Other Income (Expense)

Total other expense was $0.2 million during the three months ended November 30, 2025, compared to other expense of $0.1 million during for the three months ended November 30, 2024. Interest expense increased to $0.2 million for the three months ended November 30, 2025 compared to $0.1 million for the three months ended November 30, 2024 due to an increase in our debt balance outstanding.

Nine Months Ended November 30, 2025 Compared To the Nine Months Ended November 30, 2024

Results Summary

Basic loss per share improved from a loss of $(0.47) per share for the nine months ended November 30, 2024 to a loss of $(0.15) per share for the nine months ended November 30, 2025. Revenues increased for the nine months ended November 30, 2025 when compared with the nine months ended November 30, 2024 by 0.3% or $59 thousand. The operating loss was $3.2 million for the nine months ended November 30, 2024 compared to an operating loss of $0.5 million for the nine months ended November 30, 2025.

REVENUES

($'s in thousands)	Nine Months Ended November 30, 2025	Nine Months Ended November 30, 2024	$ Change	% Change
Durango product and retail sales	$ 16,233	$ 16,916	(683)	(4.0)%
Franchise fees	162	189	(27)	(14.3)%
Royalty and marketing fees	4,344	3,575	769	21.5%
Total	$ 20,739	$ 20,680	$ 59	0.3%

Durango Product and Retail Sales

The decrease in Durango product and retail sales of 4.0%, or $0.7 million for the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024 was primarily due to the non-renewal of an unprofitable contract with a specialty market customer.

Royalties, Marketing Fees and Franchise Fees

Royalty and marketing fees increased $0.8 million during the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024. Franchisees pay higher royalties on sales revenue generated from products made in the store than products purchased from the Company under the Company's historic franchise agreement. Sales of store made product increased in the current period. The decrease in franchise fee revenue of $27 thousand during the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024 was primarily the result of fewer store openings over time.

COSTS AND EXPENSES

($'s in thousands)	Nine Months Ended November 30, 2025	Nine Months Ended November 30, 2024	$ Change	% Change
Total cost of sales	$ 14,587	$ 15,980	$ (1,393)	(8.7)%
Franchise costs	1,737	2,109	(372)	(17.6)%
Sales and marketing	671	840	(169)	(20.1)%
General and administrative	3,135	4,288	(1,153)	(26.9)%
Retail operating	813	564	249	44.1%
Depreciation and amortization, exclusive of depreciation and amortization expense of $698 and $598, respectively, included in cost of sales	338	143	195	136.4%
Total	$ 21,281	$ 23,924	$ (2,643)	(11.0)%

Gross Margin

($'s in thousands)	Nine Months Ended November 30, 2025	Nine Months Ended November 30, 2024	$ Change	% Change
Total gross margin	$ 1,646	$ 936	$ 710	75.8%
Gross margin percentage	10.1%	5.5%	5%	83.2%

Cost of Sales and Gross Margin

Total gross margin percentage increased to 10.1% for the nine months ended November 30, 2025 compared to a gross margin of 5.5% during the nine months ended November 30, 2024, due primarily to sales price increases.

Franchise Costs

The decrease in franchise costs for the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024 was due primarily to operational efficiencies and cost cutting measures and in part due to the timing of expenses.

Sales and Marketing

The decrease in sales and marketing costs during the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024 was due primarily to operational efficiencies and in part to timing of anticipated expenses.

General and Administrative

The decrease in general and administrative costs during the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024, was due primarily to cost cutting measures. As a percentage of total revenues, general and administrative expenses decreased to 15.1% during the nine months ended November 30, 2025, compared to 20.7% during the nine months ended November 30, 2024.

Retail Operating Expenses

Retail operating expenses increased 44.1% during the nine months ended November 30, 2025 compared to the nine months ended November 30, 2024. This increase is primarily the result of the purchase of a third retail store during in August 2025 and in part due to the timing of expenses.

Depreciation and Amortization

Depreciation and amortization, exclusive of depreciation and amortization included in cost of sales was $338 thousand during the nine months ended November 30, 2025, an increase of 136.4% from $143 thousand during the nine months ended November 30, 2024. Depreciation and amortization included in cost of sales increased 16.7% from $0.6 million during the nine months ended November 30, 2024 to $0.7 million during the nine months ended November 30, 2025. This increase was the result of prior year investments in production equipment.

Other Income (Expense)

Other expense was $0.6 million during the nine months ended November 30, 2025, compared to other income of $17 thousand during for the nine months ended November 30, 2024. Interest expense increased to $0.6 million, for the nine months ended November 30, 2025 compared to $0.3 million during the nine months ended November 30, 2024 due to an increase in our debt balance outstanding. In addition, a net gain on the disposal of assets for $0.3 million relating to gain on sale of equipment of $0.5 million was offset by loss on the factoring of the U-Swirl promissory note of $0.3 million during the nine months ended November 30, 2024.

Adjusted Gross Margin

(a non-GAAP measure)	Three Months Ended November 30,			
			$	%
($'s in thousands)	2025	2024	Change	Change
Total gross margin	$ 1,353	$ 675	$ 678	100.4%
Plus: depreciation and amortization	233	211	22	10.4%
Total Adjusted Gross Margin (non-GAAP measure)	$ 1,586	$ 886	$ 700	79.0%
Total Adjusted Gross Margin (non-GAAP measure)	25.0%	13.2%	12%	89.9%

(a non-GAAP measure) ($'s in thousands)	Nine Months Ended November 30, 2025	2024	$ Change	% Change
Total gross margin	$ 1,646	$ 936	$ 710	75.8%
Plus: depreciation and amortization	698	598	100	16.7%
Total Adjusted Gross Margin (non-GAAP measure)	$ 2,344	$ 1,534	$ 810	52.8%
Total Adjusted Gross Margin (non-GAAP measure)	14.4%	9.1%	5.4%	59.2%

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.

Liquidity and Capital Resources

As of November 30, 2025, working capital was $3.6 million compared with $2.4 million as of February 28, 2025. The increase in working capital was due primarily to the proceeds of $1.8 million from notes payable during the nine months ended November 30, 2025. Expected future cash requirements include lease liabilities, purchase obligations, and capital expenditures to support the expected future growth of the business. Our credit agreements do not require repayment until maturity in September 2027, however $1.2 million was repaid subsequent to November 30, 2025.

Cash and cash equivalent balances decreased from $0.7 million as of February 28, 2025 to $0.6 million as of November 30, 2025 primarily as a result of proceeds of $1.8 million from notes payable offset by changes in operating assets and liabilities that resulted in net cash outflows of $1.4 million and net cash used in financing activities of $0.5 million. Our current ratio was 1.66 to 1.0 on November 30, 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 necessary to implement our long-term business plan.

During the nine months ended November 30, 2025, we had a consolidated net loss of $1.1 million. Operating activities used cash of $1.4 million, with the principal adjustment to reconcile net income to net cash used in operating activities being depreciation and amortization of $1.0 million and stock compensation expense of $0.2 million, partially offset by recovery on accounts and notes receivable of $0.1 million. Changes in operating assets and liabilities resulted in a net cash outflow of $1.4 million from cash used in the normal course of business. During the nine months ended November 30, 2024, we had a consolidated net loss of $3.2 million. Operating activities used cash of $7.8 million, with the principal adjustment to reconcile net income to net cash used in operating activities being depreciation and amortization of $0.7 million and a gain on the sale of assets of $0.3 million. Changes in operating assets and liabilities resulted in a net cash outflow of $7.8 million from cash used in the normal course of business.

During the nine months ended November 30, 2025, cash flows used in investing activities was $0.5 million, primarily due to the purchases of property and equipment of $0.3 million, and the acquisition of the retail store in Camarillo, CA for $0.2 million. In comparison, investing activities used cash of $0.1 million during the nine months ended

November 30, 2024, primarily due to the purchases of property and equipment of $2.1 million, offset by proceeds from the sale of assets of $1.9 million.

There were $1.8 million cash flows from financing activities during the nine months ended November 30, 2025 compared to $6.9 million cash flows from financing activities during the nine months ended November 30, 2024. During the nine months ended November 30, 2025, the Company received $1.8 million in proceeds from notes payable. The Company received $6.0 million in proceeds from its RMCF2 Credit Agreement, $2.2 million from the issuance and sales of common stock and $2.2 million on its revolving line of credit, offset by payment of the line of credit at maturity of $3.5 million during the nine months ended November 30, 2024. Subsequent to November 30, 2025, the Company received proceeds of $2.7 million from the issuance and sale of common stock.

Despite improvements in the operating activities, the Company continues to rely on outside sources of financing to sustain its operations. As a result, the conditions above raise substantial doubt regarding our ability to continue as a going concern for a period of at least one year from 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. Proceeds from the Credit Agreement were used to repay a $3.5 million line of credit and for capital investments. 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 accrues 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. On August 28, 2025, we amended the agreement and received an additional advance of $0.6 million. As of November 30, 2025, $6.6 million was outstanding on the Credit Agreement. Subsequent to November 30, 2025, the Company repaid $0.6 million of the $6.6 million outstanding.

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. In connection with the amendment, the Company and RMC agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and November 30, 2025. The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 but was in compliance with all other covenants as of November 30, 2025.

New Credit Agreement

On August 28, 2025, we entered into the RMCF2 Credit Agreement with RMCF2, a special purpose investment entity affiliated with Jeffrey R. Geygan, the Company's Interim Chief Executive Officer and one of the members of Company's board of directors.

Pursuant to the new credit agreement, RMCF2 agreed to make an advance to the Company in the principal amount of $1.2 million, which advance is evidenced by the RMCF2 Note. The RMCF2 Note matures on September 30, 2027 and interest accrues 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 RMCF2 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. Subsequent to November 30, 2025, the Company repaid $0.6 million of the $1.2 million outstanding.

The RMCF2 Credit Agreement contains customary events of default as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The RMCF2 Credit Agreement limits capital expenditures to $3.5 million per year and also contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. Pursuant to the RMCF2 Credit Agreement, the Company and RMCF2 agreed to waive the financial covenant providing for a maximum ratio of total liabilities to total net worth for each of the fiscal quarters ending August 31, 2025 and November 30, 2025. The Company was not in compliance with the liabilities to tangible net worth covenant of 2.0:1.0 but was in compliance with all other covenants as of November 30, 2025.

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.

On December 18, 2025, the Company entered into a securities purchase agreement with the Purchaser, pursuant to which, among other things, the Purchaser agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Purchaser, an aggregate of 1,500,000 shares of the Company's common stock at a price per share of $1.80, for total proceeds of approximately $2.7 million. We plan to subsequently register the shares for resale by the Purchaser on a Form S-1.

Significant Accounting Policies

The preparation of condensed 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 November 30, 2025, except for the purchase obligations as described below, we had no material off-balance sheet arrangements or obligations.

As of November 30, 2025, we had purchase obligations of approximately $4.2 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 ingredients 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 sales of franchises. Because of the seasonality of our business and the impact of new store openings and sales of 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 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 November 30, 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 November 30, 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. Except as set forth below, 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.

There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq.

On September 15, 2025, Allen C. Harper notified our board of directors of his resignation from our board of directors and all committees thereof, effective immediately (the “Resignation”). On September 17, 2025, we received a notice (the “Notice”) from The Nasdaq Stock Market LLC (“Nasdaq”), notifying us that, as a result of the Resignation, we are not in compliance with the requirements under Nasdaq Listing Rule 5605 (the “Corporate Governance Requirements”), specifically:

- Nasdaq Listing Rule 5605(b), which requires, among other things, that a majority of our board of directors be comprised of Independent Directors (as defined in Nasdaq Listing Rule 5605(a)(2)); and
- Nasdaq Listing Rule 5605(c), which requires, among other things, that we have an audit committee that has at least three members, each of whom must (i) be an Independent Director, (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, (iii) not have participated in the preparation of our financial statements or any of our current subsidiaries at any time during the past three years, and (iv) be able to read and understand fundamental financial statements.

In accordance with the Corporate Governance Requirements, we were entitled to a cure period to regain compliance, which cure period will expire at the earlier of its next annual meeting of stockholders or September 15, 2026. As of December 18, 2025, we appointed an additional independent director to our board of directors and the audit committee prior to the end of the cure period. We received notice from Nasdaq on December 22, 2025 that the Company is in compliance and the matter is closed.

There can be no assurances that we will be able to continue to comply with the applicable listing standards. If we are unable to maintain compliance with these Nasdaq requirements, our common stock will be delisted from Nasdaq. If Nasdaq delists our common stock, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a “penny stock” which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and a decreased ability to issue additional securities or obtain additional financing in the future.

Our Inability to Meet a Financial Covenant Contained in our Credit Agreements May Adversely Affect our Liquidity, Financial Condition and Results of Operations.

Pursuant to a credit agreement (as amended, the “Credit Agreement”), with RMC Credit Facility LLC, a Colorado limited liability company (the “Lender”), dated September 30, 2024, we have a $6.0 million promissory note, made by the Company to the Lender, for general corporate and working capital purposes. On August 28, 2025, we entered into an amendment to the Credit Agreement pursuant to which, among other things, the Lender made an additional loan to us in the amount of $600,000. In addition, on August 28, 2025, the Company entered into a credit agreement (the “RMCF2 Credit Agreement” and together with the Credit Agreement, the “Credit Agreements”) pursuant to which the Company borrowed $1.2 million from RMCF2 Credit, LLC, a special purpose investment entity affiliated with Jeffery R. Geygan, our interim chief executive officer and a member of our board of directors. Each Credit Agreement is secured by substantially all of our assets, except retail store assets. Interest on borrowings is set at 12.0% and the loans mature on September 30, 2027. Additionally, each Credit Agreement is subject to various financial ratios and leverage covenants. The Company was not required to comply under Credit Agreements with the covenants related to the ratio of total liabilities to total net worth for the fiscal quarters ending August 31, 2025 and November 30, 2025. The Covenants are measured quarterly.

If we are not in compliance with the requirements under the Credit Agreements, under the terms of the Credit Agreements, the lenders have the option, but not the obligation, to immediately demand repayment of the full of the obligations under the applicable Credit Agreement. As of the date of this Quarterly Report, we do not have enough cash on hand to satisfy our obligations under either Credit Agreement if the lender thereunder exercised its option to demand repayment. If any lender exercises its option and demands repayment at some time in the future, however, we may not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, the lenders may be entitled to foreclose on and sell substantially all of our assets, which secure our borrowings under the Credit Agreements, which would have an adverse effect on our liquidity, financial condition and results of operations.

In addition, each lender retains the right to act on covenant violations that occur after the date of delivery of any waiver. In the future, if either lender were to decline to grant us a waiver and instead demand repayment, we may need to seek alternative financing to pay these obligations as we may not have sufficient facilities or sufficient cash on hand at that time to satisfy these obligations.

The sale of shares of our common stock acquired by purchasers in a private placement transaction could cause the price of our common stock to decline.

In connection with the private placement transaction we completed in December 2025, we intend to register for resale by an investor on a Form S-1, up to 1,500,000 shares of our common stock, Depending on a variety of factors, including market liquidity of our common stock, the sales of shares by such investor may cause the trading price of our common stock to decline.

Our need for future financing may result in the issuance of additional securities, which will cause investors to experience dilution.

Our cash requirements may vary from those now planned, depending upon numerous factors. Accordingly, we may need to obtain additional funding in connection with our continuing operations. There are no other commitments by any person for future financing. Our securities may be offered to other investors at a price lower than the price per share offered to current stockholders, or upon terms which may be deemed more favorable that those offered to current stockholder. In addition, the issuance of securities in any future financing may dilute an investor's equity ownership ad have the effect of depressing the market price for our securities. Moreover, we may issue securities from time to time to procure qualified personnel or for other business reasons. The issuance of any such securities, which is at the discretion of our board of directors, may further dilute the equity ownership of our stockholders.

We have additional securities available for issuance, which, if issued, could adversely affect the rights of the holders of our common stock.

Our Amended and Restated Certificate of Incorporation authorizes the issuance of 46,000,000 shares of common stock and 250,000 shares of preferred stock. In certain circumstances, our common stock, as well as the awards available of issuance under our equity incentive plans, can be issued by our board of directors without stockholder approval. Any future issuance of such stock would further dilute the percentage of ownership of us held by holders of preferred stock and common. In addition, the issuance of certain securities, including pursuant to the terms of our stockholder rights plan, may be used as an "anti-takeover" device without further action on the part of our shareholders, and may adversely affect the holders of the common stock.

Future sales of shares of common stock could cause the market price for our common stock to decline.

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Sales of substantial amounts of shares of common stock in the public market, or the perception that those sales will occur, could cause the market price of our common stock to decline or be depressed.

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 November 30, 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 January 1, 2026, there were approximately 395 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 1993, 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: January 13, 2026	/s/ Jeffrey R. Geygan JEFFREY R. GEYGAN Interim Chief Executive Officer (Principal Executive Officer)
Date: January 13, 2026	/s/ Carrie E. Cass CARRIE E. CASS Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

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: January 13, 2026	By:	/s/ Jeffrey R. Geygan
		Jeffrey R. Geygan, Interim Chief Executive Officer
		(Principal Executive Officer and Interim Chief Executive Officer)

Exhibit 31.2

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:

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: January 13, 2026	By:	/s/ Carrie E. Cass
		Carrie E. Cass, Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATIONPURSUANT 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 November 30, 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: January 13, 2026	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.

Exhibit 32.2

**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 November 30, 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: January 13, 2026	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.