

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 16, 2023**

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

(Exact name of registrant as specified in its charter)



Delaware
*(State or other jurisdiction
of incorporation)*

001-36865
*(Commission
File Number)*

47-1535633
*(IRS Employer
Identification No.)*

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities Registered Pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|--|-----------------------|--|
| Common Stock, \$0.001 par value per share | RMCF | Nasdaq Global Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 7.01 Regulation FD.

Attached as Exhibit 99.1 and furnished for purposes of Regulation FD is a presentation that Rocky Mountain Chocolate Factory, Inc. may use from time to time in presentations or discussions with investors, analysts, and other parties.

The information in this Item 7.01 (including Exhibit 99.1) is being furnished solely to satisfy the requirements of Regulation FD and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibit is being furnished herewith:

| Exhibit No. | Document |
|----------------|---|
| 99.1 | Investor presentation of Rocky Mountain Chocolate Factory, Inc. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

Date: November 16, 2023

By: /s/ Allen Arroyo

Allen Arroyo, Chief Financial Officer

Investor Presentation

*Elevating Chocolate Experiences into
Unforgettable Moments*

NASDAQ:RMCF • November 2023



Safe Harbor

This presentation is for informational purposes only and is not an offer to sell securities or a solicitation of an offer to buy any securities and may not be relied upon in connection with the purchase or sale of any security. Sales and offers to sell Rocky Mountain Chocolate Factory, Inc. (the "Company") securities will only be made in accordance with the Securities Act of 1933, as amended, and applicable Securities and Exchange Commission ("SEC") regulations, including the written prospectus requirements.

This presentation is proprietary and is intended solely for the information of the persons to whom it is presented. It may not be retained, reproduced or distributed, in whole or in part, by any means (including electronic) without the prior written consent of the Company.

This presentation may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, in this release that address activities, events or developments which we expect will or may occur in the future are forward-looking statements, including statements regarding the intent, belief or current expectations of the Company and members of our management team. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward-looking statements, including those regarding guidance on future financial results; expectations concerning market opportunities and our ability to capitalize on them; and the amount and timing of the benefits expected from new products or services and other potential sources of additional revenue. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties. These risk and uncertainties include, without limitation, the timely availability and acceptance of new products, product mix, market conditions, as well as factors that affect the chocolate confectionery industry in general and other factors. The forward-looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in our filings with the SEC, including our Annual Report on Form 10-K. Actual results may differ materially from those contemplated by the forward-looking statements. We undertake no obligation to update our forward-looking statements to reflect future events or circumstances.

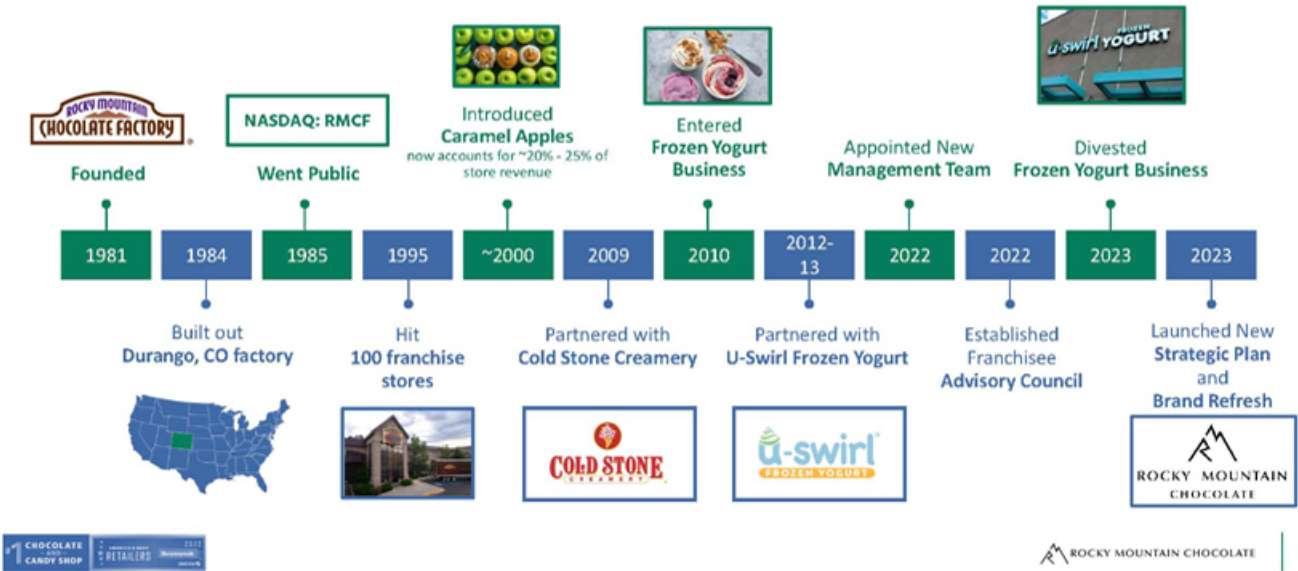
In addition to U.S. GAAP financial measures, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. A presentation of and reconciliation to the most directly comparable GAAP financial measure, where such can be done without unreasonable effort, can be found in the appendix to this presentation or on our Web site at <https://ir.rmcf.com/>.

This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, we have not independently verified this statistical data.



Company History

Deep Heritage in Premium Chocolate and Confectionary Products

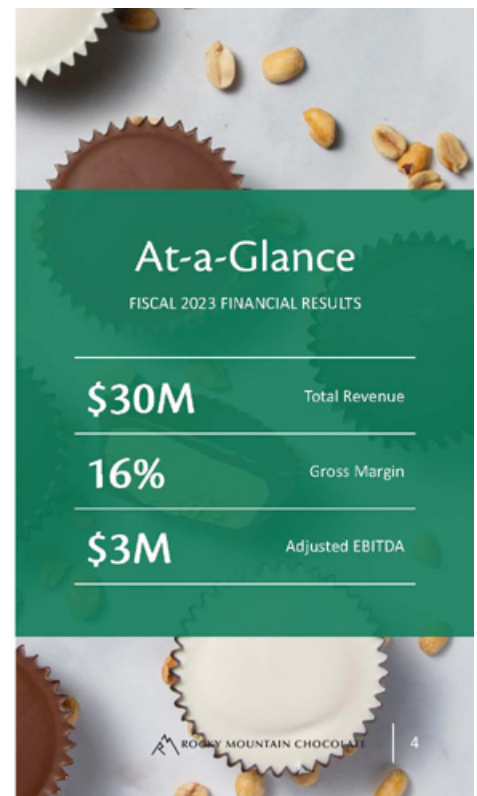


Rocky Mountain Chocolate Factory Today

- Deep network of 150+ franchisee stores and 100+ Cold Stone Creamery licensed locations
- Business model focused on factory sales, royalty and marketing fees, franchise fees, retail sales (company-owned stores) and contract manufacturing
- Operates in a US confectionary market expected to grow at a 5% CAGR through 2027¹
- New management team appointed in 2022 to revitalize growth and profitability through a long-term strategic transformation



¹Source: National Confectioners Association 2023 State of Treating report



ROCKY MOUNTAIN CHOCOLATE

Executive Team



Robert Sarlls
Director & CEO



Allen Arroyo
CFO



Scott Ouellet
SVP – Manufacturing & Supply Chain



Donna Coupe
VP – Franchise Support & Training



Andrew Ford
VP – Sales & Marketing



Ryan McGrath
VP – Information Technology



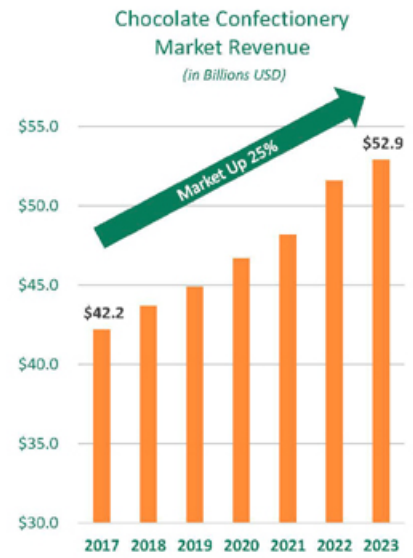
Kara Conklin
VP – Franchise Development



A Rocky Setup

Analyzing the Problem

- Consistently generated positive operating cash flow with no debt, however revenue and profitability have deteriorated over the past 10+ years
- A lack of manufacturing discipline has contributed to rising operating expenses and compressing margins, as did underinvestment in productive assets in favor of dividends
- A recognizable brand, but competitors took market share
 - Store count has meaningfully declined for the past 10 years
 - Chocolate factory sales shrunk by 30% since the mid 2010s, while the industry experienced 25% growth
- The Company strayed from the core business and focus that made it successful in decades past – too many non-core investments
 - Core: Chocolate production, brand marketing, franchising, brick and mortar retail
 - Non-Core: Cold Stone licensing, U-Swirl Frozen Yogurt, transportation and logistics



Market Forecast & Drivers¹

- TAM – Chocolate and confectionery market
 - US confectionery sales reached \$43B in 2022 (Euromonitor)
 - US chocolate confectionery sales amounted to \$52.86B in 2023 and is expected to grow at a 3.5% CAGR through 2027².
- Candy and Confectionery products have 98% home penetration
- More than half of consumers buy confectionery products only in stores (32% purchased both online & in store)
- Highly fragmented industry
- Chocolate store volumes
 - Premium chocolate has been somewhat resistant to volume decreases impacting the rest of the industry
 - Chocolate volumes declined 4%, but dollar sales were up 9% in 2022



¹Source: National Confectioners Association 2023 State of Treating report

²Source: Statista





Strategic Transformation Plan



Strategic Transformation Plan

Three Key Imperatives to Revitalize Growth & Profitability

| Do More with Less | Simplify and Focus | Amplify and Elevate |
|--|---|---|
| <ul style="list-style-type: none">• Production• Transportation and Logistics• Franchise Development• Franchise Operations | <ul style="list-style-type: none">• Exit Non-Core Frozen Yogurt• Deemphasize co-branding• Right size & expand the brick-and-mortar footprint• Production | <ul style="list-style-type: none">• Update brand and image• Revitalize customer experience• Product innovation• Medium to long term – opportunity to develop a premium store concept |
| <i>Elevate chocolate experiences into unforgettable moments as America’s confectioner of choice</i> | | |

Strategic Transformation Plan

Do More with Less

1

Production

- Maximize throughput, increase equipment utilization and reduce waste
- Enhance training and staff development
- Implement advanced technology and automation to improve ROI

2

Transportation and Logistics

- Utilize cross dock companies to reduce transportation costs, shorten delivery lead times and increase store delivery frequency
- Outsource last-mile fulfillment - removing limitations caused by geographic restrictions
- Reducing dependence on 3rd party warehousing

3

Franchise Development

- Increase the investment attractiveness and value proposition of Rocky Mountain Chocolate
- Focus on multi-unit operators - grow the footprint through these operators

4

Franchise Operations

- Improve franchisee relations - their success will lead to our success
- Improve consistency of offering, service and in-store experience

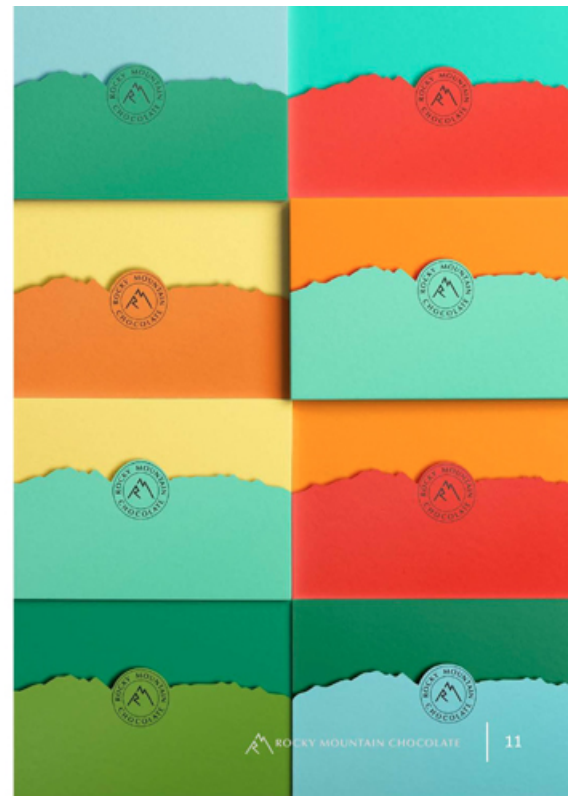


Strategic Transformation Plan

Do More with Less

Exit Underperforming Stores and Revitalize the Franchisee Network

- Shortly after joining Rocky Mountain, CEO Rob Sarlls pledged to visit 50 out of the Company's 150+ chocolate stores each year in order to build a stronger relationship with the franchisee network
 - As of April 2023, Mr. Sarlls has completed 50 out of 50 store visits
- Established Franchisee Advisory Council & Annual Franchisee Convention
 - Establishing interactive, transparent dialogue among franchisees and RMCF
 - Achieved record attendance at the 2023 Annual Franchisee Convention held in September
- Enhanced franchisee profitability
 - SKU portfolio optimization & innovation



Strategic Transformation Plan

Do More with Less – ***Recent Highlights***

Transportation and Logistics

- 33% reduction in overall transportation fleet while maintaining shipment volumes
 - Fewer drivers needed to transport the same volume of pounds from the Durango production facility

Factory Operations

- Enhanced employee compensation structure
 - Led to a reduction in attrition and the return of several former employees, which is expected to drive quicker new hire productivity ramps
 - Salaried labor cost per pound shipped from Durango decreased 16% as a direct result





Strategic Transformation Plan

Do More with Less – ***Recent Highlights***

Franchise Development and Operations

- New Franchise Disclosure Document and Franchise Agreement launched in late June
 - Introduction of Multi-Unit Area Agreement
 - Opportunity to enjoy attractive Royalty Rate as low as 4% through encouragement of higher purchases of Durango product
- New Franchisee Volume Discount effective September 1st
 - Eligible franchisees must be in good standing and have provided needed documentation
 - Discounts range from 2% to 5% based on volume tiers
 - Designed to improve four wall store economics, further encourage multi-unit ownership
- Added Additional Franchisee and Executive Talent
 - Appointed Scott Ouellet to SVP of Manufacturing & Supply Chain
 - Welcomed a new franchisee from a renowned Franchise Development Program in Missouri



Strategic Transformation Plan

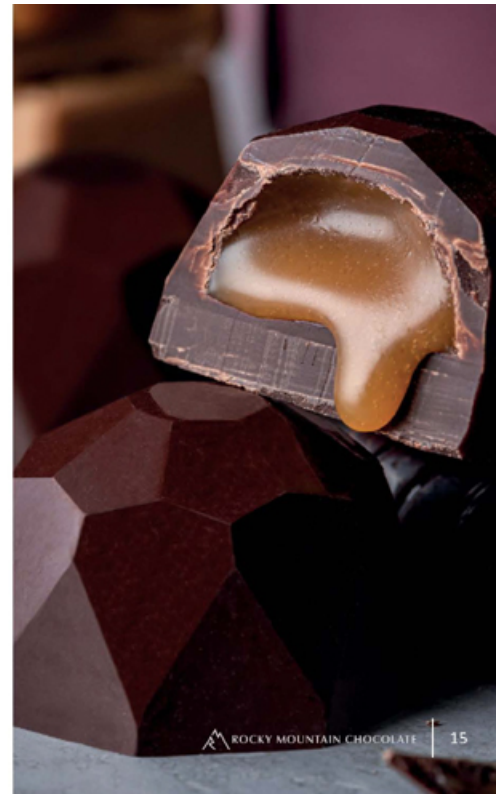
Simplify and Focus – Short-Term

- Recently Divested Non-Core Frozen Yogurt Business
 - Limited scale, declining to flat category, removed need for future investments
- Right size the brick-and-mortar footprint
 - Established task force to improve stores or facilitate exits (25 to 35 stores)
- Production
 - Focus on high volume SKUs to simplify the factory, store management and consumer choices
 - Increase use of 3rd party manufacturers for certain SKUs
 - Establishing strategic partnerships with suppliers
- Investor Relations
 - Ended four years of proxy challenges totaling over \$8 million in expenses for the Company
 - Committed to increased investor engagement; retained IR consultant

Strategic Transformation Plan

Simplify and Focus – Long-Term

- RMC in October formally outsourced 100% of its consumer packaging needs to a nationwide fulfillment and co-packing partner at its Salt Lake City operations
 - Company is 60+ year industry leader in working with CPG brands of all stripes, including food & beverage and confections – AIB Certified
 - Salt Lake City enables a strategic and cost advantageous route to market vs. Durango
- RMC has been struggling with meeting the Durango based labor needs for 25 to 40 workers to pack out premium chocolate, especially since COVID
 - Move fulfills strategic need to solely focus on manufacturing in Durango
 - Move eliminates constraints to fulfill future growth opportunities





Strategic Transformation Plan

Amplify and Elevate

- Over the next several years, add up to 100 new stores in highly visible and trafficked locations operated by multi-unit developers with improved economics
- Revitalize the in-store experience
 - Modest investment by franchisees to upgrade store flow and functionality
 - Improve brand standards and compliance with the addition of two new directors
 - Implement new KPIs to ensure a consistent experience across our network
 - Focus franchisees on service, optimal stock levels, product mix and increasing basket size through sampling
 - More effectively utilize store displays to promote seasonal, limited time offers, and/or product innovations



Strategic Transformation Plan

Amplify and Elevate – *Recent Highlights*

- Unveiled transformational brand refresh and trade name at the 2023 Annual National Franchisee Convention
 - New primary logo incorporates the Rocky Mountains into the actual distinctive R and M
 - The word “Factory” will be removed from future branding
- Three major brand pillars
 - **Elevate the Everyday:** our premium chocolate products make every occasion a special one;
 - **Craft True Connections:** Rocky Mountain Chocolate connects family and friends with sharing and enjoying our products; and
 - **The Rocky Mountain Life:** we share the beauty and excitement of the Rockies everywhere our products are enjoyed
- New color scheme
 - New packaging and trade dress will incorporate the vibrant colors of the Rockies, increasing the desirability of our packaged products and our store destinations

Strategic Transformation Plan

Amplify and Elevate – *Recent Highlights*

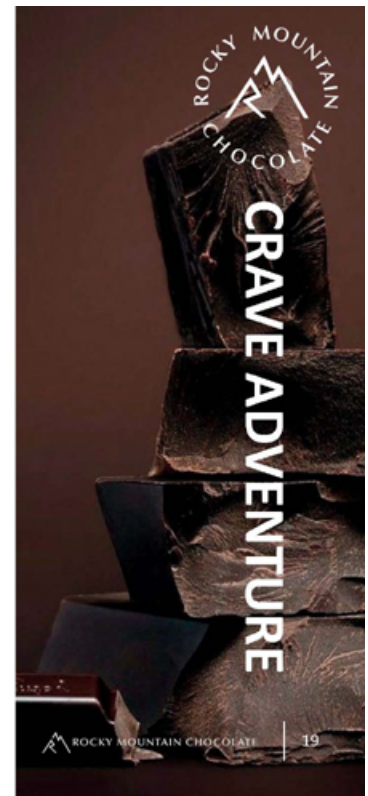
- Newly announced partnership with and international award-winning retail and hospitality design firm, **Design Well Spent Co.**, to create a new aesthetic for the Company's storefronts
- A wealth of design experience
 - Led by Tobi Wray, Design Well Spent Co. has advised retail and hospitality businesses across both large and small formats
 - Prior clients include **Amazon**, **Starbucks**, **Teavana**, and **Treat** (a health and wellness concept of **XWELL, Inc.**)
- Redesign to incorporate new branding across the entire store portfolio
 - This includes the Durango, CO flagship location and templates for the Company's franchisee-owned stores
 - The partnership will also encompass brand representation across licensed formats
- Rocky Mountain Chocolate will begin working with franchisee partners to commence store updates during the second quarter of calendar year 2024



Strategic Transformation Plan

Amplify and Elevate

- Create an omnichannel customer experience
 - Revamp company website for user friendly digital shopping
 - Build a social media and influencer presence
 - Roll out a Rocky Mountain Chocolate app
 - Outsourcing e-commerce logistics to provide additional distribution centers and market-leading technology
 - Strike new partnerships with online 3rd party marketplaces (eg. Amazon Prime)
- Implement a loyalty program to expand the recurring customer base
- Introduce new & innovative products
 - Hired first ever head of R&D in early 2023
- In the medium-long term, opportunity to develop a new premium plus concept
 - 8-12 company owned stores in the top retail locations of the US focused on luxury



Capital Expenditures and Allocation

- **Primary and first use of free cash flow is to invest in the business toward building the capabilities to execute on the strategic plan**
 - Invest in production to eliminate roadblocks to maximize output toward more than doubling pound volume over the next several years while replacing aging equipment and improving processes to reduce labor needs relative to higher pound volumes
 - Run a knowledge-based business by adding a new ERP, point of sale system, loyalty program, and production productivity tools
 - Utilize and leverage third party service providers and contract manufacturers to expand market reach and product breath without expending own capital
 - Impose greater discipline on current asset management to improve turns (as seen with higher inventory turns)
 - 46% year over year reduction in inventory due to better management and demand planning
- **Estimated CapEx Target Through FY 2025: \$6 - \$8 million**
 - Will come from the combination of cash on hand, cash from operations, and equipment related debt
 - Spending for strategic plan front weighted to insure maximum output capability prior to store and omnichannel expansion efforts





Strategic Transformation Plan

Multi-Year Outcomes

- Firmly establish Rocky Mountain Chocolate as America's #1 premium chocolatier with first-class manufacturing and omnichannel retail
- More than double chocolate revenue and factory pound volume
- A network of 250+ revitalized chocolate shops doing over \$800K/revenue per store – doubles systemwide sales to \$200 million
- E-commerce sales to increase to 10% of total revenue mix
- Restore product gross margins to 25-30% levels
- Drive operating leverage through better efficiencies and leveraging more cost-effective 3rd party supplier partners
- Premium-plus branded stores providing an additional value creation channel

Investment Highlights

- A leading manufacturer of premium chocolate products with a deep network of 150+ franchise stores, a debt free balance sheet and a history of steady free cash flow generation
- Operating in a highly fragmented US chocolate and candy shop market, which continues to benefit from overall consumption growth¹
- A refreshed board and new management team to drive significant growth and market share gains
 - Over 60 years of F&B, hospitality and franchising experience
- Executing a three-pillar transformation plan to accelerate sales and cash flow growth
 - Do more with less; simplify and focus; amplify and elevate
 - Key focus areas include streamlining end-to-end operations and exiting non-core businesses, creating an omnichannel customer experience and elevating the Rocky Mountain Chocolate brand



¹Source: National Confectioners Association 2023 State of Treating report





**thank
you.**

Contact Us

Company Contact

Allen Arroyo
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Investor Relations Contact

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Elevate IR
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RMCF@elevate-ir.com



Appendix

Balance Sheet Summary

| *In Thousands USD | FY 2023 | FQ2 2024 |
|---------------------------------|-----------------|-----------------|
| Assets | | |
| Cash & Equivalent | \$4,717 | \$3,985 |
| Acct Receivable | \$2,056 | \$1,962 |
| Inventory | \$3,640 | \$3,233 |
| Other Assets | \$11,574 | \$11,355 |
| Total Assets | \$21,987 | \$20,535 |
| Liabilities | | |
| Acct Payable | \$2,190 | \$2,406 |
| Total Debt | \$0 | \$0 |
| Other Liabilities | \$5,427 | \$5,257 |
| Total Liabilities | \$7,617 | \$7,663 |
| Total Shareholder Equity | \$14,370 | \$12,872 |

Board of Directors

Robert Sarlls
Director & CEO



Jeffrey Geygan
Chairman of the Board



Starlette Johnson
Director



Mark Riegel
Director



Brett Seabert
Director



Key Stats¹

Stock Price

\$4.45

Shares Outstanding

6.29M

Market Cap

\$28.0M

FINANCIAL HIGHLIGHTS (TTM FQ2'24)

Total Revenue

\$30.0M

Adj EBITDA

\$0M

\$2.8M

Factory/Retail
Gross Profit

0.8x

EV/Sales (TTM)

\$(4.6)M

Net Income From
Continuing Ops

N/A

EV/AEBITDA (TTM)

Cash & Equivalents

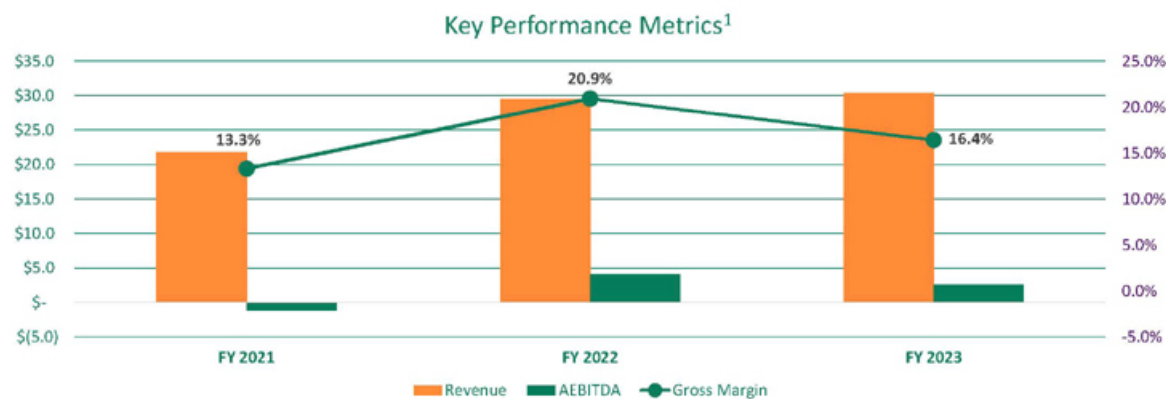
\$4.0M

Total Debt

\$0M

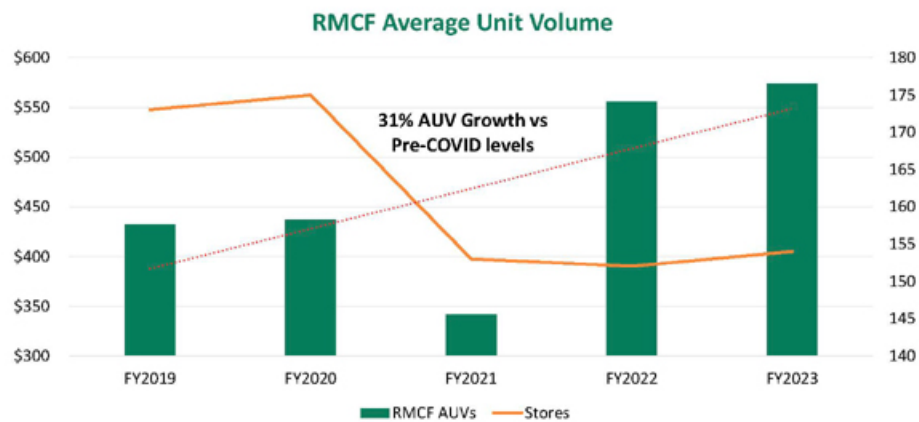
¹Source: Capital IQ (@ 10/18/2023)

Financial Performance

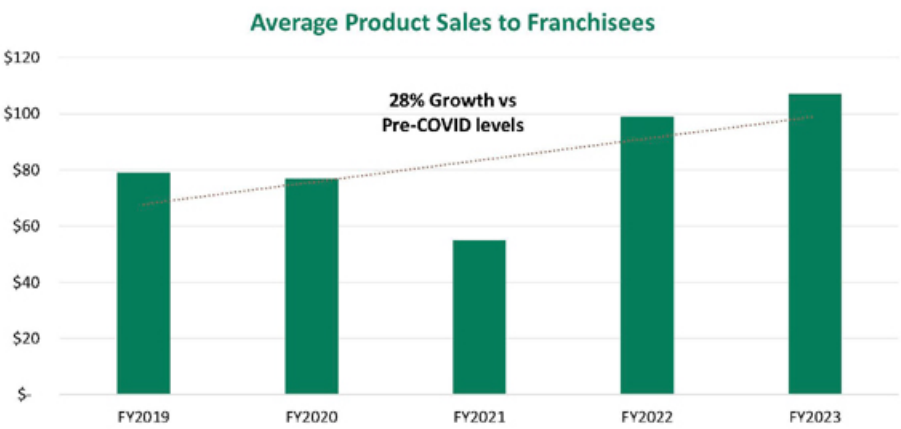


¹For fiscal year ended February 28, in millions USD excl. margin items

Ramping Store Productivity



Product Sales



Our Products



Durango Production Facility

- Examine all processes from procurement to production to distribution
 - Improve efficiencies to increase throughput on highest value SKUs – (rationalizing SKUs, upgrading equipment, product quality, etc.)
 - Find automation opportunities to deal with tight labor market
 - Look at external industry partners to supplement capabilities
 - Restructure hiring and retention policies for employees
 - New training and development to reduce waste/scrap



