



# Investor Presentation

*Elevating Chocolate Experiences  
into Unforgettable Moments*

NASDAQ: RMCF • May 2023



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# 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 2027<sup>1</sup>
- New management team appointed in 2022 to revitalize growth and profitability through a long-term strategic transformation



<sup>1</sup>Source: National Confectioners Association 2023 State of Treating report

## At-a-Glance

FISCAL 2023 FINANCIAL RESULTS

**\$30M**

Total Revenue

**16%**

Gross Margin

**\$3M**

Adjusted EBITDA



# Executive Team



**Robert Sarlls**  
Director & CEO



**Allen Arroyo**  
CFO



**Andrew Ford**  
VP – Sales & Marketing



**Ryan McGrath**  
VP – Information Technology



**Donna Coupe**  
VP – Franchise Support & Training



**Scott Ouellet**  
Senior Supply Chain Advisor



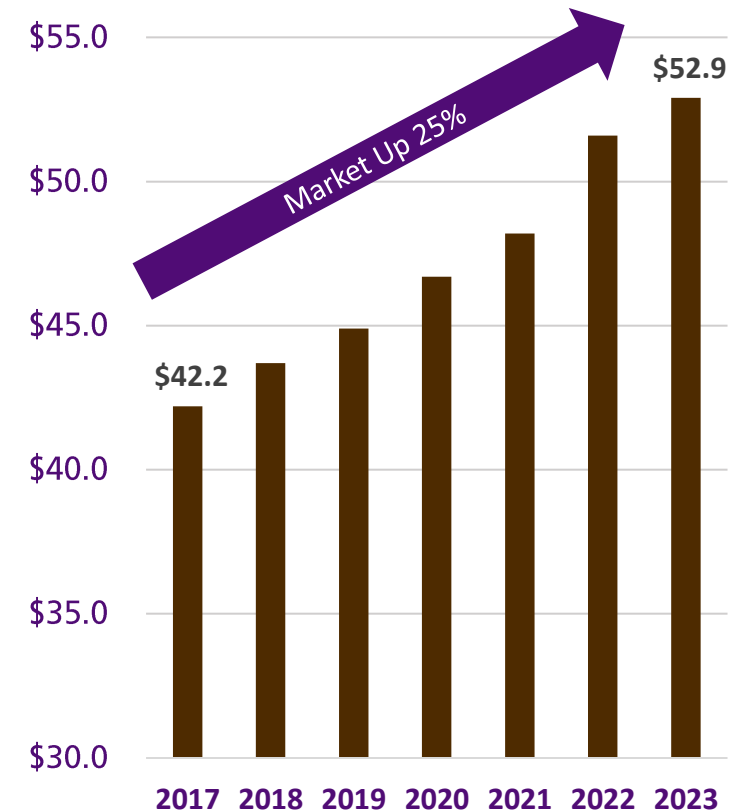
# A Rocky Setup

## Analyzing the Problem

- Consistently generates positive operating cash flow and is debt free, 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
- A recognizable brand, but competitors are taking market share
  - Store count has meaningfully declined over the past 10 years
  - Chocolate factory sales are down more than 30% since 2016, while the industry has experienced 25% growth
- The Company has strayed from the core business and focus that made it successful in decades past – too many non-core investments
  - Core: Chocolate manufacturing, brand marketing, franchising, brick and mortar retail
  - Non-Core: Cold Stone licensing, U-Swirl Frozen Yogurt, transportation and logistics

## Chocolate Confectionery Market Revenue

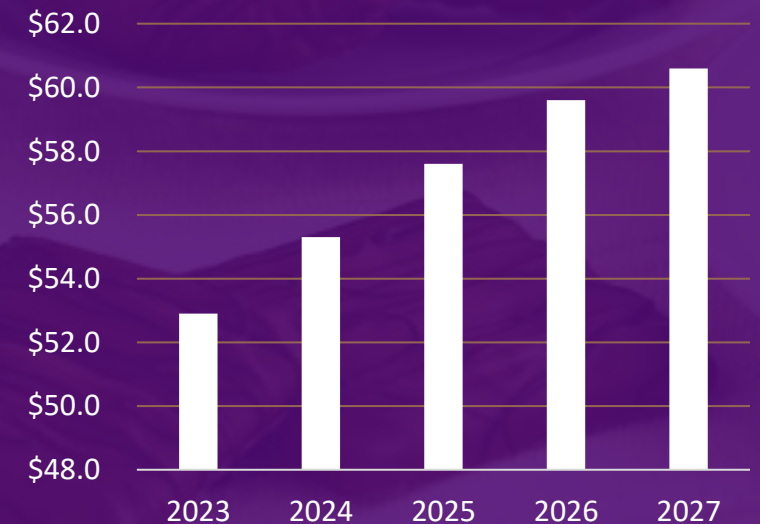
(in Billions USD)



# Market Forecast & Drivers<sup>1</sup>

- 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 2027<sup>2</sup>.
- 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 resistant to volume decreases impacting the rest of the industry
  - Chocolate volumes declined 4%, but dollar sales were up 9% in 2022

Estimated US Chocolate Sales<sup>2</sup>  
(in Billions)



<sup>1</sup>Source: National Confectioners Association 2023 State of Treating report

<sup>2</sup>Source: Statista





# STRATEGIC TRANSFORMATION PLAN



# Strategic Transformation Plan

## Three Key Imperatives to Revitalize Growth & Profitability

### Do More with Less

- Factory Operations
- Transportation and Logistics
- Franchise Development
- Franchise Operations

### Simplify and Focus

- Exit Non-Core Frozen Yogurt
- Deemphasize co-branding
- Right size & expand the brick-and-mortar footprint
- Factory operations

### Amplify and Elevate

- Update brand and image
- Revitalize customer experience
- Product innovation
- Medium to long term – opportunity to develop a premium store concept

***Elevate chocolate experiences into unforgettable moments as America's confectioner of choice***

# Strategic Transformation Plan

Do More with Less

1

## Factory Operations

- 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 3<sup>rd</sup> 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
- Enhanced franchisee profitability
  - SKU portfolio optimization & innovation





# Strategic Transformation Plan

## Simplify and Focus – Short-Term

- Recently Divested Non-Core Frozen Yogurt Business
  - Limited scale, human capital intensive, untrue to brand
- Right size the brick-and-mortar footprint
  - Established task force to improve stores or facilitate exits (25 to 35 stores)
- Factory operations
  - Focus on high volume SKUs to simplify the factory, store management and consumer choices
  - Increase use of 3<sup>rd</sup> party manufacturers for certain SKUs
  - Establishing strategic partnerships with suppliers

# Strategic Transformation Plan

## Simplify and Focus – Long-Term

- Upgrade technological infrastructure & enhance reporting tools
  - New ERP implementation in calendar 2024
  - Enables better data-driven decisions
  - New singular POS system implementation in calendar 2024
  - New in-house MIS tools/systems currently being implemented





# Strategic Transformation Plan

## Amplify and Elevate

- Update brand and image by end of 2023
- Over the next several years, add up to 100 new stores in highly visible and trafficked locations operated by multi-unit developers with better economics
- Revitalize the in-store experience
  - Modest investment by franchisees to upgrade store flow and functionality
  - Improving brand standards and compliance with the addition of two new directors
  - Implementing new KPIs to ensure a consistent experience across our footprint
  - 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

- 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





# 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 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 growth
- 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



<sup>1</sup>Source: National Confectioners Association 2023 State of Treating report





thank  
you.



## Contact Us

### Company Contact

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# Appendix



# Balance Sheet Summary

*In Thousands USD	FY2022	FY2023
<b>Assets</b>		
Cash & Equivalent	\$7,587	\$4,717
Acct Receivable	\$1,906	\$2,056
Inventory	\$4,298	\$3,640
Other Assets	\$13,090	\$11,574
<b>Total Assets</b>	<b>\$26,881</b>	<b>\$21,987</b>
<b>Liabilities</b>		
Acct Payable	\$1,496	\$2,190
Total Debt	\$0	\$0
Other Liabilities	\$5,985	\$5,427
<b>Total Liabilities</b>	<b>\$7,481</b>	<b>\$7,617</b>
<b>Total Shareholder Equity</b>	<b>\$19,400</b>	<b>\$14,370</b>



# Board of Directors

**Robert Sarlls**  
Director & CEO



**Jeffrey Geygan**  
Chairman of the Board



**Starlette Johnson**  
Director



**Mark Riegal**  
Director



**Brett Seabert**  
Director



# Key Stats<sup>1</sup>

Stock Price

**\$5.84**

Shares Outstanding

**6.25M**

Market Cap

**\$36.5M**

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## FINANCIAL HIGHLIGHTS (FY 2023)

Total Revenue

**\$30.4M**

Adj EBITDA

**\$2.6M**

**\$4.0M**

Factory/Retail  
Gross Profit

**1.0x**

EV/Sales (FY'23)

**\$(6.0)M**

Net Income

**12.2x**

EV/AEBITDA (FY'23)

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Cash & Equivalents

**\$4.7M**

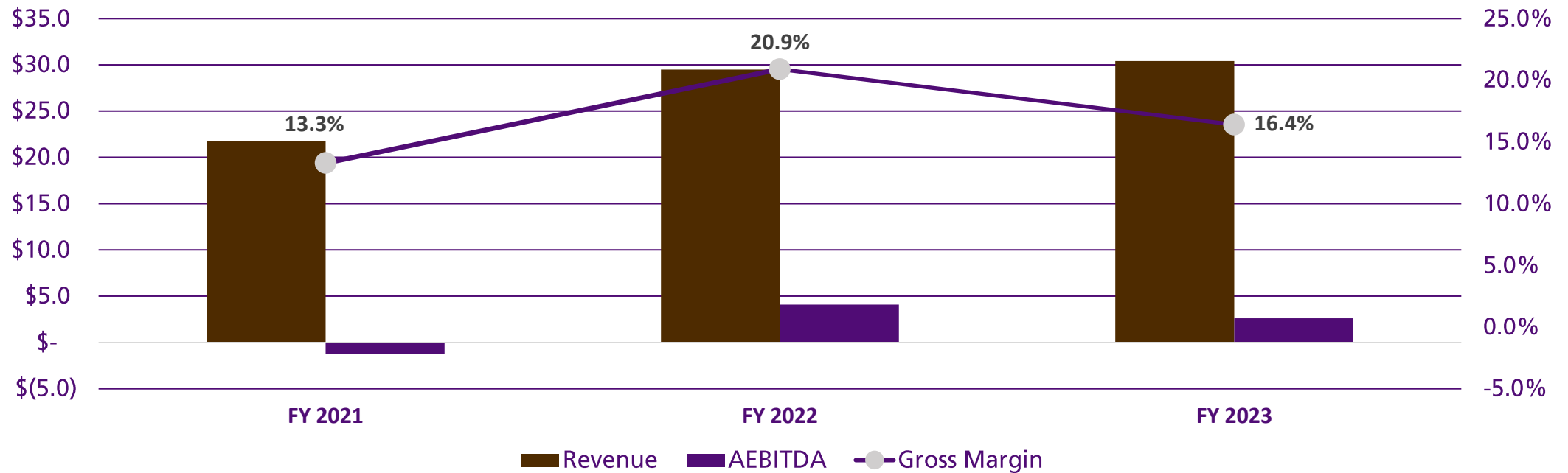
Total Debt

**\$0M**

<sup>1</sup>Source: Capital IQ (@ 5/23/2023)

# Financial Performance

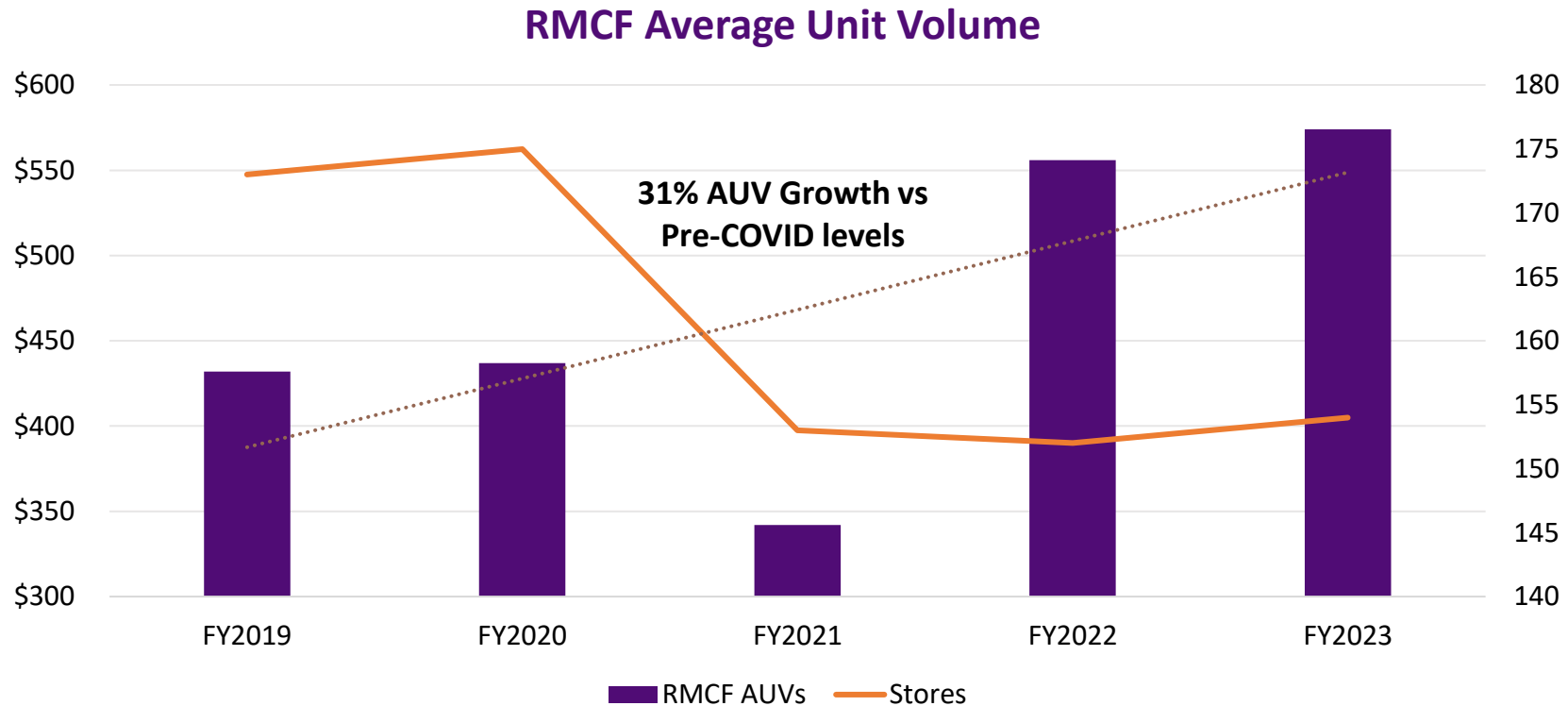
## Key Performance Metrics<sup>1</sup>



<sup>1</sup>For fiscal year ended February 28, in millions USD excl. margin items



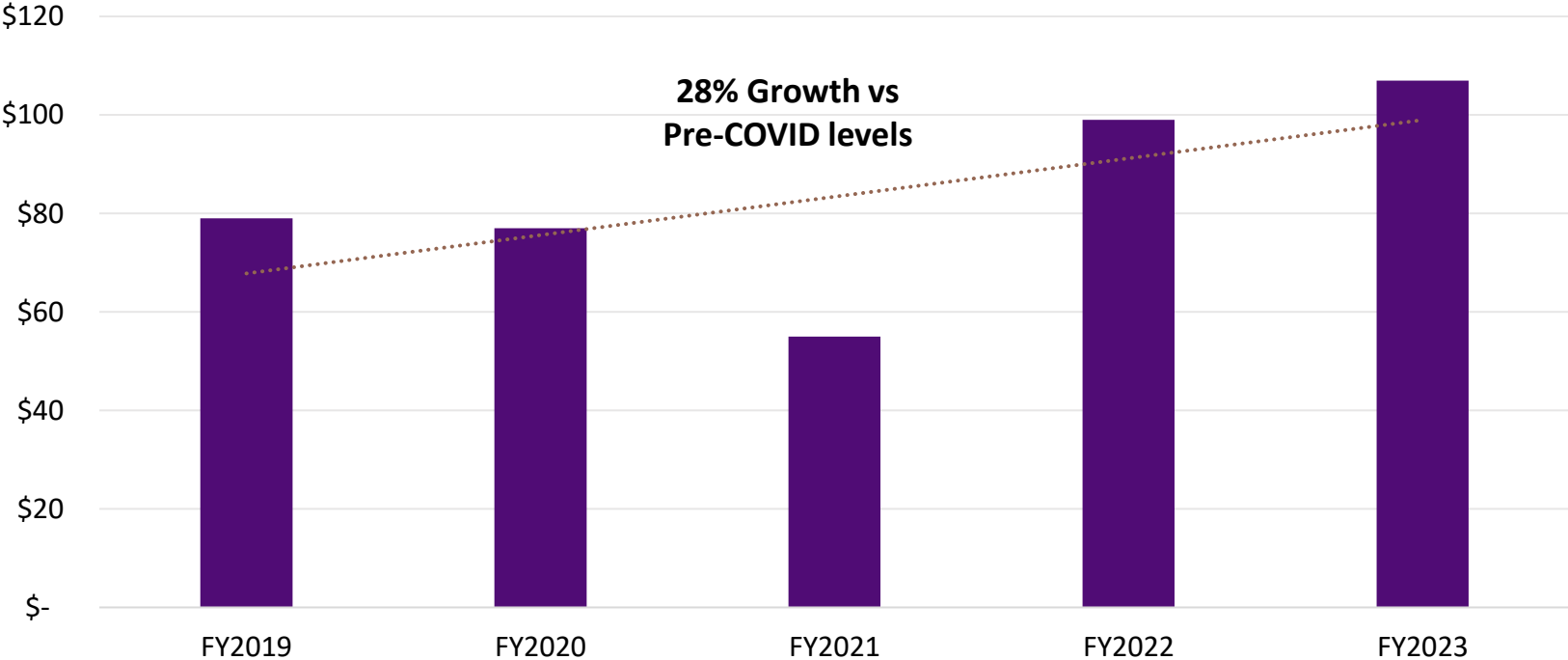
# Ramping Store Productivity





# Factory Sales

### Average Factory Sales to Franchisees

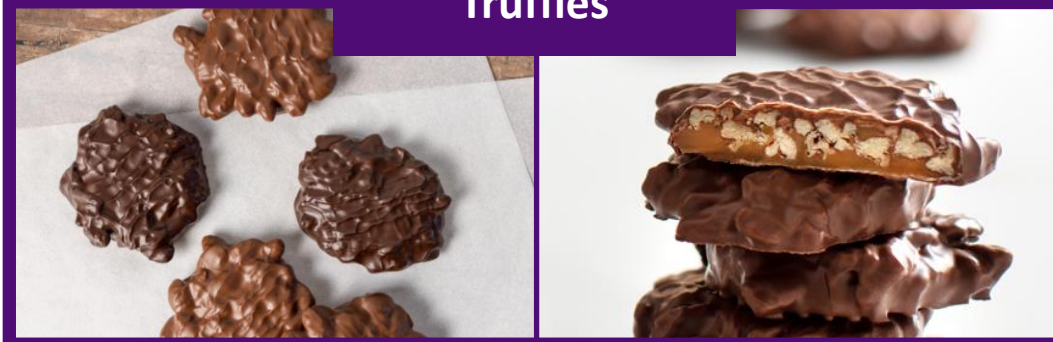


# Our Products

Apples



Truffles



Rocky Mountain Assorted Favorites



# Durango Manufacturing Plant

- Examine all processes from procurement to manufacturing 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



THANK YOU

