

Rocky Mountain Chocolate Factory, Inc. Reports Fourth Quarter and Fiscal Year 2019 Operating Results and Announces Financial and Strategic Alternatives Review

DURANGO, CO / ACCESSWIRE / May 29, 2019 /Rocky Mountain Chocolate Factory, Inc. (Nasdaq Global Market: RMCF) (the "Company") today reported its operating results for the three months and fiscal year ended February 28, 2019 (the "fourth quarter of FY2019" and "FY2019," respectively). The Company franchises and operates gourmet chocolate and confection stores and self-serve frozen yogurt cafés, and manufactures an extensive line of premium chocolates and other confectionery products. The Company also announced that its Board of Directors is considering a range of financial and strategic alternatives to enhance shareholder value.

FY2019 DETAILS

- Total revenue decreased 9.3 percent to \$34.5 million during FY2019 compared to \$38.1 million during the fiscal year ended February 28, 2018 ("FY2018").
- Same-store pounds of product purchased from the Company's factory by franchisees and co-branded licensees decreased 0.5 percent during FY2019 compared to FY2018.
- Net income decreased 24.5 percent to \$2.2 million, or \$0.38 per basic share and \$0.37 per diluted share, during FY2019 compared to net income of \$3.0 million, or \$0.50 per basic share and diluted share, during FY2018.
- Operating income decreased 42.4 percent to \$3.0 million during FY2019, compared to operating income of \$5.2 million during FY2018.
- Adjusted EBITDA (a non-GAAP financial measure defined later in this release) decreased 23.4 percent to \$5.5 million during FY2019 compared to \$7.1 million during FY2018.
- Factory sales decreased 7.2 percent during FY2019 compared to FY2018, primarily due to a 23.1 percent decrease in shipments of products to customers outside our network of franchised retail stores.
- Royalty and marketing fees decreased 8.0 percent during FY2019, primarily due to a 9.1 percent decrease in the number of domestic franchised locations in operation (primarily yogurt locations) during FY2019 compared to FY2018.

- Franchise fees decreased 50.9 percent during FY2019, primarily as a result of \$359,000 in international license fees being recognized during FY 2018 with no comparable fees recognized during FY2019.
- The Company's franchisees and licensees opened one international *Rocky Mountain Chocolate Factory* licensed location, 10 domestic *Rocky Mountain Chocolate Factory* franchise locations, five co-branded *Cold Stone Creamery* locations, one international self-serve frozen yogurt café, and three domestic self-serve frozen yogurt cafés during FY2019.
- On May 28, 2019, the Company announced that its 64th consecutive quarterly cash dividend in the amount of \$0.12 per share will be paid on June 14, 2019 to shareholders of record at the close of business on June 4, 2019.

FINANCIAL AND STRATEGIC ALTERNATIVES REVIEW

In conjunction with conducting a comprehensive review of its business strategy, the Company is announcing that it is conducting a process to explore and evaluate strategic alternatives to maximize shareholder value and position the Company for long-term success. The Company has engaged North Point Advisors to act as its financial advisor and Perkins Coie LLP as legal counsel to assist with this review. The Company remains open to all strategic options that would enhance shareholder value for the long-term.

Financial and strategic alternatives may include, but are not limited to, a possible sale of the business. There is no specific time table for identifying potential transactions or transaction candidates and there is no assurance that any transaction will be completed. The Company does not intend to make any further comment regarding this process unless its Board of Directors has approved a specific course of action.

FOURTH QUARTER OPERATING RESULTS

Total revenue decreased 10.2 percent to \$9.4 million during the fourth quarter of FY2019 compared to \$10.5 million during the three months ended February 28, 2018 (the "fourth quarter of FY2018").

Total factory sales decreased 6.7 percent to \$7.0 million in the fourth quarter of FY2019 compared to \$7.5 million in the fourth quarter of FY2018. The decrease was due primarily to a 24.1 percent decrease in shipments to customers outside the Company's network of franchise retail locations. This change was primarily the result of a decrease in purchases by the Company's largest customer. Factory gross margin decreased 880 basis points to 12.6 percent of factory sales in the fourth quarter of FY2019 compared to 21.4 percent in the fourth quarter of FY2018.

Retail sales declined 35.7 percent to \$686,000 in the fourth quarter of FY2019 compared to \$1,066,000 in the fourth quarter of FY2018. This decrease in retail sales was primarily due to the closure of certain underperforming Company-owned locations, partially offset by an increase in same-store sales at Company-owned stores and cafés. Same-store sales at all Company-owned stores and cafés increased 0.4 percent during the fourth quarter of FY2019 compared to the fourth quarter of FY2018.

Royalty and marketing fees decreased 7.7 percent to \$1.7 million in the fourth quarter of FY2019 compared to \$1.8 million in the fourth quarter of FY2018, primarily due to a 7.3 percent decrease in the number of domestic franchise stores and cafés in operation (primarily yogurt locations) resulting from domestic store closures exceeding domestic store openings. The Company's franchisees and licensees opened three *Rocky Mountain Chocolate Factory* franchised locations, one international *U-Swirl* licensed location and one *Cold Stone Creamery* co-branded location during the fourth quarter of FY2019. Complete lists of stores and cafés currently in operation are available on the Company's websites at <u>www.rmcf.com</u> and <u>www.u-swirlinc.com</u>.

Franchise fees decreased 38.7 percent to \$73,000 in the fourth quarter of FY2019 compared to \$119,000 in the fourth quarter of FY2018, primarily as a result of a decrease in franchise fees associated with new domestic franchise store openings recognized during the fourth quarter of FY2018 compared to the fourth quarter of FY2019.

Income from operations decreased 58.9 percent in the fourth quarter of FY2019 to \$504,000 compared to \$1.2 million in the fourth quarter of FY2018.

The Company's effective income tax rate in the fourth quarter of FY2019 was 22.5 percent compared with 60.9 percent in the fourth quarter of FY2018. This decrease was due to the one-time revaluation of deferred tax assets and liabilities to the lower enacted U.S. corporate tax rate of 21% under the Tax Cuts and Jobs Act recognized during the fourth quarter of FY2018.

Net income decreased 18.0 percent to \$386,000, or \$0.06 per basic and diluted share, in the fourth quarter of FY2019, compared to net income of \$471,000, or \$0.08 per basic and diluted share, in the fourth quarter of FY2018.

Adjusted EBITDA (a non-GAAP financial measure defined later in this release) decreased 35.0 percent for the fourth quarter of FY2019 to \$1.1 million compared to \$1.7 million for the fourth quarter of FY2018.

FY2019 OPERATING RESULTS

Total revenue decreased 9.3 percent to \$34.5 million during FY2019 compared to \$38.1 million during FY2018.

Total factory sales decreased 7.2 percent to \$24.2 million in FY2019 compared to \$26.1 million in FY2018. The decrease was due primarily to a 23.1 percent decrease in shipments to customers outside the Company's network of franchise retail locations. This decrease was primarily the result of a change in purchases by the Company's largest customer. Factory gross margins decreased 450 basis points to 19.9 percent of factory sales in FY2019 compared to 24.4 percent in FY2018.

Retail sales declined 17.7 percent to \$3.4 million in FY2019 compared to \$4.1 million in FY2018. This decrease in retail sales was primarily due to the closure of certain underperforming Company-owned locations, partially offset by an increase in same-store sales at Company-owned stores and cafés. Same-store sales at all Company-owned stores and cafés increased 1.4 percent during FY2019 compared to FY2018.

Royalty and marketing fees decreased 8.0 percent to \$6.6 million in FY2019 compared to \$7.2 million in FY2018, primarily due to a 9.1 percent decrease in the number of domestic franchise stores and cafés in operation (primarily yogurt locations) resulting from domestic store closures exceeding domestic store openings. The Company's franchisees and licensees opened ten *Rocky Mountain Chocolate Factory* franchised locations, one international *Rocky Mountain Chocolate Factory* licensed location, five *Cold Stone Creamery* co-branded locations, three *U-Swirl* franchised cafés, and one international *U-Swirl* licensed location during FY2019. Complete lists of stores and cafés currently in operation are available on the Company's websites at <u>www.rmcf.com</u> and <u>www.u-swirlinc.com</u>.

Franchise fees decreased 50.9 percent to \$335,000 in FY2019 compared to \$682,000 in FY2018, as a result of a decrease in franchise fees associated with new international license agreements recognized during FY2018 with no comparable fees recognized during FY2019.

Income from operations decreased 42.4 percent in FY2019 to \$3.0 million compared to \$5.2 million in FY2018.

The Company's effective income tax rate in FY2019 was 24.3 percent compared with 42.2 percent in FY2018. This decrease was due to the one-time revaluation of deferred tax assets and liabilities to the lower enacted U.S. corporate tax rate of 21% under the Tax Cuts and Jobs Act recognized during FY2018 and the result of the lower enacted U.S. corporate tax rate of 21 percent under the Tax Cuts and Jobs Act realized during FY2018.

Net income decreased 24.5 percent to \$2.2 million, or \$0.38 per basic share and \$0.37 per diluted share, in FY2019, compared to net income of \$3.0 million, or \$0.50 per basic and diluted share, in FY2018.

Adjusted EBITDA (a non-GAAP financial measure defined later in this release) decreased 23.4 percent in FY2019 to \$5.5 million compared to \$7.1 million for FY2018.

Non-GAAP Financial Measures

Adjusted EBITDA, a non-GAAP financial measure, is computed by adding depreciation and amortization, stock-based compensation expenses, and restructuring and acquisition-related charges to GAAP income from operations.

This non-GAAP financial measure may have limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for analysis of results as reported under GAAP. The Company believes that adjusted EBITDA provides additional analytical information on the nature of ongoing operations excluding expenses not expected to recur in future periods, non-cash charges and variations in the effective tax rate among periods. For example, the Company believes that adjusted EBITDA is useful to investors because it provides a measure of operating performance and its ability to generate cash that is unaffected by non-cash accounting measures and non-recurring expenses. However, due to these limitations, the Company uses adjusted EBITDA as a measure of performance only in conjunction with GAAP measures of performance such as income from operations and net income. A reconciliation of adjusted EBITDA to the most directly comparable GAAP financial measure is included below.

Cash Dividends

On May 28, 2019, the Company announced that its 64th consecutive quarterly cash dividend of \$0.12 per share will be paid on June 14, 2019 to shareholders of record at the close of business on June 4, 2019.

About Rocky Mountain Chocolate Factory, Inc.

Rocky Mountain Chocolate Factory, Inc., headquartered in Durango, Colorado, is an international franchiser of gourmet chocolate, confection and self-serve frozen yogurt stores and a manufacturer of an extensive line of premium chocolates and other confectionery products. As of May 28, 2019, the Company, through its subsidiaries and its franchisees and licensees operated 437 *Rocky Mountain Chocolate Factory* and self-serve frozen yogurt stores in 40 states, Canada, South Korea, Qatar, the Republic of Panama, and The Republic of the Philippines. The Company's common stock is listed on the Nasdaq Global Market under the symbol "RMCF."

Forward-Looking Statements

Certain statements in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to come within the safe harbor protection provided by those sections. These statements involve risks and uncertainties. The nature of the Company's operations and the environment in which it operates subjects it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. The statements, other than statements of historical fact, included in this press release are forward-looking statements. Many of the forward-looking statements contained in this press release may be identified by the use of forward-looking words such as "will." "intend," "believe," "expect," "anticipate," "should," "plan," "estimate," "potential," or similar expressions. Factors which could cause results to differ include, but are not limited to: changes in the confectionery business environment, seasonality, consumer interest in the Company's products, general economic conditions, the success of the Company's frozen yogurt business, receptiveness of the Company's products internationally, consumer and retail trends, costs and availability of raw materials, competition, the success of the Company's co-branding strategy, the success of international expansion efforts and the effect of government regulations. Government regulations which the Company and its franchisees either are, or may be, subject to and which could cause results to differ from forward-looking statements include, but are not limited to: local, state and federal laws regarding health, sanitation, safety, building and fire codes, franchising, employment, manufacturing, packaging and distribution of food products and motor carriers. For a detailed discussion of the risks and uncertainties that may cause the Company's actual results to differ from the forward-looking statements contained herein, please see the "Risk Factors" contained in Item 1A. of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2018. These forward-looking statements apply only as of the date hereof. As such they should not be unduly relied upon for more current circumstances. Except as required by law, the Company undertakes no obligation to release publicly any revisions to these forward-looking statements that might reflect events or circumstances occurring after the date of this press release or those that might reflect the occurrence of unanticipated events.

For Further Information, please contact:

Rocky Mountain Chocolate Factory, Inc. (970) 375-5678

STORE INFORMATION

	New stores opened during the three months ended February 28, 2019	Stores open as of February 28, 2019
United States		
Rocky Mountain Chocolate Factory		
Franchise Stores	3	183
Company-Owned Stores	0	2
Cold Stone Creamery	1	91
International License Stores	0	64
U-Swirl		
Franchise Stores	0	96
Company-Owned Stores	0	4
International License Stores	1	2
Total	5	442

SELECTED BALANCE SHEET DATA (in thousands) (unaudited)

Current Assets Total Assets Current Liabilities Stockholder's Equity

February 28,	February 28,
2019	2018
\$ 14,266	\$ 15,571
\$ 26,222	\$ 28,941
\$ 4,736	\$ 8,208
\$ 20,390	\$ 19,557

CONSOLIDATED STATEMENTS OF INCOME (in thousands, except share and per share data) (unaudited)

Revenues Factory sales \$ 6,976 \$ 7,480 74.0% 71.2% Ryalty and marketing fees 1,695 1,835 18.0% 17.5% Franchise fees 73 119 0.8% 1.1% Retail sales 685 1,066 7.3% 10.2% Total Revenues 9,429 10,500 100.0% 100.0% Costs and expenses 6.350 6.269 67.3% 59.7% Franchise costs 442 5599 4.7% 4.8% Sales and marketing 538 704 5.7% 5.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amorization expense of \$141 and expense of \$141 and expenses 9.79, 73 94.1% 88.3% Income from operations 554 1.227 6.9% 1.17% Other income (expense) 113 126 -0.1% -0.2% Interest income 548		T	Three Months Ended February 28, 2019 2018		Three Months Ended February 28, 2019 2018		
Royalty and marketing fees 1,695 1,835 18.0% 17.5% Franchise fees 73 119 0.8% 1.1% Rotall sales 685 1,066 7.3% 10.2% Total Revenues 9,429 10,500 100.0% 100.0% Cost of sales 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 6.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operation and amortization exclusive of depreciation and amortization exclusive of st 14 and descute and administrative cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Total Costs and Expenses 554 1.227 5.9% 11.7% Interest kepense (13) (25) -0.1% -0.2% Interest kepense 112 735 1.2% 7.0%	Revenues						
Franchise fees 73 1119 0.8% 1.1% Retail sales 685 1.066 7.3% 10.2% Total Revenues 9,429 10,500 100.0% 100.0% Costs and expenses 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amortization, exclusive of depreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Income from operations 554 1.227 5.9% 11.7% 0.2% Interest expense (13) (25) -0.1% -0.2% 0.0% 0.0% Interest income 7 4 0.1% 0.2% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	Factory sales	\$	6,976	\$	7,480	74.0%	71.2%
Franchise fees 73 1119 0.8% 1.1% Retail sales 685 1.066 7.3% 10.2% Total Revenues 9,429 10,500 100.0% 100.0% Costs and expenses 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amortization, exclusive of depreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Income from operations 554 1.227 5.9% 11.7% 0.2% Interest expense (13) (25) -0.1% -0.2% 0.0% 0.0% Interest income 7 4 0.1% 0.2% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	Royalty and marketing fees		1,695		1,835	18.0%	17.5%
Retail sales 665 1,066 7.3% 10.2% Total Revenues 9,429 10,500 100.0% 100.0% Cost s and expenses - - - - Cost of sales 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amortization, exclusive of depreciation and amortization, exclusive of soles - 0.0% 0.0% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) - - - 0.0% 0.0% Interest expense (13) (25)			73			0.8%	1.1%
Total Revenues 9,429 10,500 100.0% 100.0% Costs and expenses Cost of sales 6,350 6,269 67,3% 59,7% Cost of sales and marketing 538 704 5,7% 6,7% General and administrative 843 704 5,7% 6,7% General and administrative 843 704 5,7% 6,7% General and administrative of depreciation and amortization exclusive depreciation and amortization exclusive depreciation and amorti							
Costs and expenses - Cost of sales 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 533 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amortization exclusive of depreciation and amortization exclusive of states, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 1.9% Costs and Expenses 8.875 9.273 94.1% 88.3% Income from operations 554 1.227 5.9% 11.7% Other income (expense) - - - - - - 0.0% 0.0% - - 2.9% 1.1% 0.0% 0.0% - 2.2% 1.1% 0.0% 0.0% - 2.2% 1.1% 0.2% 1.1% 0.0%<					,		
Cost of sales 6,350 6,269 67.3% 59.7% Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amortization exclusive of depreciation and amortization expense of \$141 and \$133 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) - - - 0.0% 0.0% Interest income 7 4 0.1% 0.0% 0.0% Other income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0%	Total Revenues		3,423		10,500	100.078	100.070
Franchise costs 442 509 4.7% 4.8% Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retail operating 428 615 4.5% 5.9% Depreciation and amoritzation, exclusive of depreciation and amoritzation expense of \$141 and \$135 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Total Costs and Expenses 8.875 9.273 94.1% 88.3% Income from operations 554 1.227 5.9% 11.7% Other income (expense) - - 0.0% 0.0% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share 5.948,864 5.903,436 1.5% 5.948,864	•		0.250		-	CZ 20/	FO 70/
Sales and marketing 538 704 5.7% 6.7% General and administrative 843 972 8.9% 9.3% Retait operating 428 615 4.5% 5.9% Depreciation and amoritzation, exclusive of depreciation and amoritzation, exclusive of depreciation and amoritzation expense of \$141 and \$135 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) - - - 0.0% Interest expense (13) 2(5) -0.1% -0.2% Interest income 12 735 1.2% 7.0% Other, net 6(6) (21) -0.1% -0.2% Income before income taxes 112 735 1.2% 7.0% Consolidated net income \$ 0.06 \$ 0.08			,		,		
General and administrative8439728.9%9.3%Retail operating4286154.5%5.9%Depreciation and amortization, exclusive of depreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively costs associated with Company-owned store closures2742042.9%1.9%Cost associated with Company-owned store closures-0.0%0.0%0.0%Total Costs and Expenses8,8759,27394.1%88.3%Income from operations5541,2275.9%11.7%Other income (expense)Interest expense(13)(25)-0.1%-0.2%Interest income740.1%0.0%Other, net(6)(21)-0.1%-0.2%Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Dilutive Effect of Employee Stock 							
Retail operating Depreciation and amortization, exclusive of depreciation and amortization, exclusive of spreciation and amortization, exclusive of spreciation and amortization, exclusive of spreciation and amortization, exclusive of spreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively Costs associated with Company-owned store closures2742042.9%1.9%Costs associated with Company-owned store closures-0.0%0.0%0.0%Total Costs and Expenses8,8759,27394.1%88.3%Income from operations5541,2275.9%11.7%Other income (expense) Interest incomeInterest expense(13) (21)(25)-0.1% 0.0%-0.2%Income before income taxes5481,2065.8%11.5%Provision for income taxes51411277.0%-Consolidated net income4364,71 0.084.6%4.5%Diluted Earnings Per Common Share5,948,8645,903,436-Weighted Average Common Shares Outstanding,5,948,8645,903,436-Weighted Average Common Shares Outstanding,5,948,8645,903,436-	5						
Depreciation and amortization, exclusive of depreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively costs associated with Company-owned store closures2742042.9%1.9%Costs associated with Company-owned store closures-0.0%0.0%0.0%Total Costs and Expenses8,8759,27394.1%88.3%Income from operations5541,2275.9%11.7%Other income (expense) Interest expense(13)(25)-0.1%-0.2%Interest expense Other, net(13)(25)-0.1%-0.2%Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Weighted Average Common Shares Outstanding,33,00377,628-	General and administrative		843		972		9.3%
depreciation and amortization expense of \$141 and \$135 included in cost of sales, respectively 274 204 2.9% 1.9% Costs associated with Company-owned store closures - 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) - - 0.1% 0.0% Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 - Dilutive Effect of Employee Stock Awards 33,003 77,628 - -			428		615	4.5%	5.9%
\$135 included in cost of sales, respectively Costs associated with Company-owned store closures 274 204 2.9% 1.9% Costs associated with Company-owned store closures 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) 1 7 4 0.1% 0.0% Interest expense (13) (25) -0.1% -0.2% Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income \$ 0.06 0.08 0.08 5.948,864 5.903,436 Dilutive Effect of Employee Stock 33,003 77,628 7.628 7.628 7.628	Depreciation and amortization, exclusive of						
\$135 included in cost of sales, respectively Costs associated with Company-owned store closures 274 204 2.9% 1.9% Costs associated with Company-owned store closures 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) 1 7 4 0.1% 0.0% Interest expense (13) (25) -0.1% -0.2% Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income \$ 0.06 0.08 0.08 5.948,864 5.903,436 Dilutive Effect of Employee Stock 33,003 77,628 7.628 7.628 7.628							
Costs associated with Company-owned store closures - 0.0% 0.0% 0.0% 0.0% Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) Interest expense Interest income 7 4 0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 0.08 0.08 1.2% 7.0% Dilutive Effect of Employee Stock Awards 33,003 77,628 7.628 1.2% 1.2% 1.2%			274		204	2.9%	1.9%
closures Total Costs and Expenses 8,875 9,273 94.1% 68.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) Interest expense Interest income (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 Uliutive Effect of Employee Stock Awards 33,003 77,628 77,628			214		201	2.070	1.070
Total Costs and Expenses 8,875 9,273 94.1% 88.3% Income from operations 554 1,227 5.9% 11.7% Other income (expense) Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 Diluted Earnings Per Common Share \$,948,864 5,903,436 - - Dilutive Effect of Employee Stock Awards 33,003 77,628 - -						0.0%	0.09/
Income from operations 554 1,227 5.9% 11.7% Other income (expense) Interest expense Other, net (13) (25) -0.1% 0.2% Income before income Other, net (6) (21) -0.1% 0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 0.08 5.948,864 5,903,436 Dilutive Effect of Employee Stock Awards 33,003 77,628 77,628 5.903,436			0.075		-		
Other income (expense) Interest expense Interest income Other, net(13) (25) 7-0.1% 4-0.2% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% (6)(21)-0.1% 0.0% 0.0% 0.0%Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Uiluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436TDilutive Effect of Employee Stock Awards33,00377,628T	Total Costs and Expenses		8,875		9,273	94.1%	88.3%
Other income (expense) Interest expense Interest income Other, net(13) (25) 7-0.1% 4-0.2% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% (6)(21)-0.1% 0.0% 0.0% 0.0%Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Uiluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436TDilutive Effect of Employee Stock Awards33,00377,628T					-	5.00/	44 70/
Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 \$ Weighted Average Common Share 5,948,864 5,903,436 \$ \$ \$ Dilutive Effect of Employee Stock Awards 33,003 77,628 \$ \$	Income from operations		554		1,227	5.9%	11.7%
Interest expense (13) (25) -0.1% -0.2% Interest income 7 4 0.1% 0.0% Other, net (6) (21) -0.1% -0.2% Income before income taxes 548 1,206 5.8% 11.5% Provision for income taxes 112 735 1.2% 7.0% Consolidated net income 436 471 4.6% 4.5% Basic Earnings Per Common Share \$ 0.06 \$ 0.08 \$ Weighted Average Common Share 5,948,864 5,903,436 \$ \$ \$ Dilutive Effect of Employee Stock Awards 33,003 77,628 \$ \$					-		
Interest income Other, net740.1% (6)0.0% (21)Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06 \$0.085.948,8645,903,436Weighted Average Common Shares Outstanding,5,948,8645,903,4365.903,4365.948,8645,903,436							
Other, net(6)(21)-0.1%-0.2%Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common 	Interest expense		(13)		(25)	-0.1%	-0.2%
Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436	Interest income		7		4	0.1%	0.0%
Income before income taxes5481,2065.8%11.5%Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628-Weighted Average Common Shares Outstanding,	Other, net		(6)		(21)	-0.1%	-0.2%
Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,					-		
Provision for income taxes1127351.2%7.0%Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628	Income before income taxes		548		1.206	5.8%	11.5%
Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,					-		
Consolidated net income4364714.6%4.5%Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,	Provision for income taxes		112		735	1.2%	7.0%
Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628-Weighted Average Common Shares Outstanding,			=		-	,.	110 / 0
Basic Earnings Per Common Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436-Dilutive Effect of Employee Stock Awards33,00377,628-Weighted Average Common Shares Outstanding,	Consolidated net income		436		471	4.6%	4 5%
Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,	obligolidated net income		-00		471	4.070	4.070
Share\$0.06\$0.08Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,	Pasia Farninga Par Common				-		
Diluted Earnings Per Common Share\$0.06\$0.08Weighted Average Common Shares Outstanding5,948,8645,903,436Dilutive Effect of Employee Stock Awards33,00377,628Weighted Average Common Shares Outstanding,		¢	0.00	۴	0.00		
Share \$ 0.06 \$ 0.08 Weighted Average Common 5,948,864 Shares Outstanding 5,948,864 Dilutive Effect of Employee Stock 33,003 Awards 33,003 Weighted Average Common 77,628 Weighted Average Common - Shares Outstanding, -		\$	0.06	\$	0.08		
Weighted Average Common Shares Outstanding 5,948,864 5,903,436 Dilutive Effect of Employee Stock Awards 33,003 77,628 Weighted Average Common Shares Outstanding, - -	-	•		•			
Shares Outstanding 5,948,864 5,903,436 Dilutive Effect of Employee Stock - Awards 33,003 77,628 Weighted Average Common Shares Outstanding, -	Share	\$	0.06	\$	0.08		
Shares Outstanding 5,948,864 5,903,436 Dilutive Effect of Employee Stock - Awards 33,003 77,628 Weighted Average Common Shares Outstanding, -					-		
Dilutive Effect of Employee Stock - Awards 33,003 77,628 Weighted Average Common - Shares Outstanding, -							
Awards 33,003 77,628 	Shares Outstanding		5,948,864		5,903,436		
Awards 33,003 77,628 					-		
Awards 33,003 77,628 	Dilutive Effect of Employee Stock						
Weighted Average Common Shares Outstanding,			33,003		77,628		
Shares Outstanding,			50,000				
Shares Outstanding,	Weighted Average Common						
Assuming bilution 5,951,857 5,951,054	•		E 004 007		E 004 004		
	Assuming Dilution		5,901,007		5,901,004		

CONSOLIDATED STATEMENTS OF INCOME (in thousands, except share and per share data) (unaudited)

Revenues Factory sales \$ 24,179 \$ 26,057 70.0% 68.4% Royalty and marketing fees 335 66,27 7,225 19.2% 19.0% Franchise fees 335 662 1.0% 1.8% Retail sales 3,384 4,111 9.8% 10.8% Total Revenues 34,545 38,075 100.0% 100.0% Cost of sales 20,599 21,177 59.6% 55.6% Franchise costs 1,981 2,098 5.7% 5.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,335 2,389 5.6% 6.3% Depreciation and amoritzation, exclusive of 1,935 2,389 5.6% 6.3% Costs associated with Company-owned store 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7%		Twelve Months Ended February 28, 2019 2018		Twelve Months Ended February 28, 2019 2018		
Royalty and marketing fees 6,647 7,225 19.2% 19.0% Franchise fees 3335 662 1.0% 1.8% Retail sales 3.384 4,111 9.8% 10.8% Total Revenues 34,545 38,075 100.0% 100.0% Cost of sales 20,599 21,177 59.6% 55.6% Franchise costs 1,981 2,098 5.7% 5.5% Sales and marketing 2,211 2,489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of 49.3% 2.1% Costs associated with Company-owned store 227 - 0.7% 0.0% Costs and Expenses 31,539 2 8.7% 13.7% 13.7% Income from operations 3006 5.221 8.7% 13.5% Income from operations 2505 5.124 8.6% 13.5%	Revenues					
Franchise fees 335 682 1.0% 1.8% Retail sales 3,384 4,111 9.8% 10.8% Total Revenues 34,545 38,075 100.0% 100.0% Costs and expenses 20,599 21,177 59.6% 55.6% General and administrative 1,881 2,098 5.7% 5.5% Sales and marketing 2,211 2,489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Perpreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$2,323 5.8% 6.3% 6.3% Depreciation and amortization expense of \$556 and \$2,323 32,854 91.3% 86.3% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5.221 8.7% 13.7% Other income (expense) (71) (121) -0.2% -0.3% Interest expense (71) (121) -0.2% -0.3% <tr< td=""><td>Factory sales</td><td>\$</td><td>24,179</td><td>\$ 26,057</td><td>70.0%</td><td>68.4%</td></tr<>	Factory sales	\$	24,179	\$ 26,057	70.0%	68.4%
Retail sales 3,384 4,111 9.8% 10.8% Total Revenues 34,545 38,075 100.0% 100.0% Costs and expenses 2 20579 21,177 59.6% 55.6% Sales and marketing 2,211 2,489 6.4% 6.5% Sales and marketing 2,211 2,489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$5556 and \$555 5,238 5.6% 6.3% Sociar Sasociated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) 1 24 0.1% 0.1% Interest income 21 24 0.1% 0.1% Other income taxes (benefit) 717 2,160 2.1% 5.7% Con	Royalty and marketing fees		6,647	7,225	19.2%	19.0%
Total Revenues 34,545 38,075 100.0% 100.0% Costs and expenses 2 100.0% 100.0% 100.0% Cost of sales 20,599 21,177 59.6% 55.6% Franchise costs 1,981 2.098 5.7% 5.5% Sales and marketing 2.211 2.489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2.389 5.6% 6.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$\$223 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32.854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Interest expense (71) (121) -0.2% -0.3% Interest income 2,956 5,124 8.6% 13.5% <	Franchise fees				1.0%	1.8%
Costs and expenses 00,010 100,010 100,010 Cost of sales 20,599 21,177 59,6% 55,6% Sales and marketing 2,211 2,489 6,4% 6,5% General and administrative 3,432 3,905 9,9% 10,3% Retail operating 1,935 2,389 5,6% 6,3% Depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) (71) (121) -0.2% -0.3% Interest income 2,956 5,124 8.6% 13.5% Provision for income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.5% Coso	Retail sales		3,384	4,111	9.8%	10.8%
Cost of sales 20,599 21,177 59.6% 55.6% Franchise costs 1,981 2,098 5.7% 5.5% Sales and marketing 2,211 2,499 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$552 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - - - - Interest expense (71) (121) -0.2% -0.3% Interest expense 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7%	Total Revenues		34,545	38,075	100.0%	100.0%
Franchise costs 1,981 2,098 5.7% 5.5% Sales and marketing 2,211 2,489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5.221 8.7% 13.7% Other income (expense) 1 11 -0.2% -0.3% Interest expense (71) (121) -0.2% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 2.33 0.50 <td>Costs and expenses</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Costs and expenses					
Sales and marketing 2,211 2,489 6.4% 6.5% General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - - 0.3% 0.1% Interest expense (71) (121) 0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% 0.3% Income before income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common Share \$0.37 \$0.50	Cost of sales		20,599	21,177	59.6%	55.6%
General and administrative 3,432 3,905 9.9% 10.3% Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) 1 (121) -0.2% -0.3% Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes (benefit) 717 2,160 2.1% 5.5% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 5.037 0.50 5.843.37 <t< td=""><td>Franchise costs</td><td></td><td>1,981</td><td>2,098</td><td>5.7%</td><td>5.5%</td></t<>	Franchise costs		1,981	2,098	5.7%	5.5%
Retail operating 1,935 2,389 5.6% 6.3% Depreciation and amortization, exclusive of 4523 6.3% 2.1% S523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store 227 - 0.7% 0.0% Costs and Expenses 217 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Other income (expense) - - 0.7% 0.0% Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common - - - - Share \$ 0.37 \$ 0.50 - Weighted Average Common 5,931,431 5,884,337 5,884,337	Sales and marketing		2,211	2,489	6.4%	6.5%
Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - - - - Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common Share \$ 0.37 \$ 0.50 Weighted Average Common Shares \$,931,431 5,884,337 5,884,337 Dilutive Effect of Employee Stock \$1,207 96,099	General and administrative			3,905	9.9%	10.3%
Depreciation and amortization, exclusive of depreciation and amortization expense of \$556 and \$523 included in cost of sales, respectively 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - - - - Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common Share \$ 0.37 \$ 0.50 Weighted Average Common Shares \$,931,431 5,884,337 5,884,337 Dilutive Effect of Employee Stock \$1,207 96,099	Retail operating		1,935	2,389	5.6%	6.3%
\$523 included in cost of sales, respectively Costs associated with Company-owned store closures 1,154 796 3.3% 2.1% Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) (71) (121) -0.2% -0.3% Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 5 0.38 0.50 7.8% Share \$ 0.37 \$ 0.50 7.8% Dilutive Effect of Employee Stock 5,931,431 5,884,337 5.884,337 Dilutive Effect of Employee Stock 51,207 96,099 96,099 <	Depreciation and amortization, exclusive of					
Costs associated with Company-owned store closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - - - - Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common - - - - Share \$0.37 \$0.50 - - - Weighted Average Common - - - - - - - - - - - <	depreciation and amortization expense of \$556 and					
closures 227 - 0.7% 0.0% Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) - 3.7% - - 3.7% - - - 3.7% - - 3.7% - - - 3.7% - - 3.7% - - 3.7% - - - 3.7% - - - 3.7% - - - - -<	\$523 included in cost of sales, respectively		1,154	796	3.3%	2.1%
Total Costs and Expenses 31,539 32,854 91.3% 86.3% Income from operations 3,006 5,221 8.7% 13.7% Other income (expense) (71) (121) -0.2% -0.3% Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 5 0.38 0.50 7.8% Share \$0.37 \$0.50 7.8% 7.8% Diluted Earnings Per Common \$5,931,431 5,884,337 5.884,337 Dilutive Effect of Employee Stock \$1,207 96,099 5.099	Costs associated with Company-owned store					
Income from operations Other income (expense) 3,006 5,221 8.7% 13.7% Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common \$ 0.37 \$ 0.50 Diluted Earnings Per Common \$ 0.37 \$ 0.50 Share \$ 0.37 \$ 0.50 Weighted Average Common \$ 5,931,431 5,884,337 Dilutive Effect of Employee Stock \$ 51,207 96,099	closures		227	-	0.7%	0.0%
Other income (expense) (71) (121) -0.2% -0.3% Interest expense 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common Share \$ 0.37 \$ 0.50 Weighted Average Common \$ 5,931,431 5,884,337 5,84,337 Dilutive Effect of Employee Stock \$ 51,207 96,099	Total Costs and Expenses		31,539	32,854	91.3%	86.3%
Interest expense (71) (121) -0.2% -0.3% Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 5 0.38<\$	Income from operations		3,006	- 5,221	8.7%	13.7%
Interest income 21 24 0.1% 0.1% Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common - - - Share \$ 0.38<\$ 0.50	Other income (expense)					
Other, net (50) (97) -0.1% -0.3% Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common 7.8% 7.8% Diluted Earnings Per Common 7.8% Share \$ 0.38<\$ 0.50	Interest expense			(121)	-0.2%	-0.3%
Income before income taxes 2,956 5,124 8.6% 13.5% Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common	Interest income		21	24	0.1%	0.1%
Provision for income taxes (benefit) 717 2,160 2.1% 5.7% Consolidated net income 2,239 2,964 6.5% 7.8% Basic Earnings Per Common <th< th=""></th<>	Other, net			(97)	-0.1%	-0.3%
Consolidated net income2,2392,9646.5%7.8%Basic Earnings Per Common\$0.38\$0.50Diluted Earnings Per Common\$0.37\$0.50Share\$0.37\$0.50Weighted Average Common\$5,931,4315,884,337Shares Outstanding5,931,4315,884,337Dilutive Effect of Employee Stock\$51,20796,099	Income before income taxes		2,956	5,124	8.6%	13.5%
Basic Earnings Per Common \$ 0.38 \$ 0.50 Diluted Earnings Per Common \$ 0.37 \$ 0.50 Share \$ 0.37 \$ 0.50 Weighted Average Common \$ 0.37 \$ 0.50 Shares Outstanding 5,931,431 5,884,337 Dilutive Effect of Employee Stock 51,207 96,099	Provision for income taxes (benefit)		717	2,160	2.1%	5.7%
Share \$ 0.38 \$ 0.50 Diluted Earnings Per Common	Consolidated net income		2,239	2,964	6.5%	7.8%
Diluted Earnings Per CommonShare\$0.37\$0.50Weighted Average CommonShares Outstanding5,931,4315,884,337Dilutive Effect of Employee Stock51,20796,099						
Share \$ 0.37 \$ 0.50 Weighted Average Common \$ 5,931,431 5,884,337 Dilutive Effect of Employee Stock \$ 51,207 96,099	Share	\$	0.38	\$ 0.50		
Weighted Average CommonShares Outstanding5,931,431Dilutive Effect of Employee StockAwards51,20796,099	Diluted Earnings Per Common					
Shares Outstanding5,931,4315,884,337Dilutive Effect of Employee Stock51,20796,099	Share	\$	0.37	\$ 0.50		
Dilutive Effect of Employee Stock Awards 51,207 96,099	Weighted Average Common					
Awards 51,207 96,099	Shares Outstanding		5,931,431	5,884,337		
	Dilutive Effect of Employee Stock					
Weighted Average Common			51,207	96,099		
Shares Outstanding,	Shares Outstanding,					
Assuming Dilution 5,982,638 5,980,436	Assuming Dilution		5,982,638	5,980,436		

GAAP RECONCILIATION ADJUSTED EBITDA (in thousands) (unaudited)

	Three Months Ended February 28,				
		2019	2018	Change	
GAAP: Income from Operations	\$	554 \$	\$ 1,227	-54.8%	
Depreciation and Amortization		415	339		
Stock-Based Compensation Expense		136	134		
Costs associated with Company-owned store closures		-	-		
Non-GAAP, adjusted EBITDA	\$	1,105 \$	\$ 1,700	-35.0%	
	Twelve Months Ended February 28,				
		2019	2018	Change	
GAAP: Income from Operations	\$	3,006 \$	\$ 5,221	-42.4%	
Depreciation and Amortization		1,710	1,319		
Stock-Based Compensation Expense		520	592		
Costs associated with Company-owned store closures		227	-		
Non-GAAP, adjusted EBITDA	\$	5,463 \$	\$ 7,132	-23.4%	

SOURCE: Rocky Mountain Chocolate Factory, Inc.

View source version on accesswire.com:

https://www.accesswire.com/546864/Rocky-Mountain-Chocolate-Factory-Inc-Reports-Fourth-Quarter-and-Fiscal-Year-2019-Operating-Results-and-Announces-Financial-and-Strategic-Alternatives-Review