

July 12, 2016



Rocky Mountain Chocolate Factory, Inc. Reports First Quarter FY2017 Diluted E.P.S. of \$0.12 on Revenue of \$9.4 Million

DURANGO, CO -- (Marketwired) -- 07/12/16 -- Rocky Mountain Chocolate Factory, Inc. (NASDAQ: RMCF) (the "Company") today reported its operating results for the three months ended May 31, 2016 ("the first quarter of FY2017"). 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 will host an investor conference call today at 4:15 p.m. Eastern Time to discuss its operating results and other topics of interest (see details below).

FIRST QUARTER HIGHLIGHTS

- Total revenue decreased 9.5 percent to \$9.4 million in the first quarter of FY2017, compared with revenue of \$10.4 million in the three months ended May 31, 2015 ("the first quarter of FY2016").
- Same-store pounds of product purchased from the Company's factory by franchisees and co-branded licensees decreased 5.8% during the first quarter of FY2017 compared to the first quarter of FY2016.
- Net income attributable to RMCF shareholders decreased 4.1 percent to \$732,000, or \$0.13 per basic and \$0.12 per diluted share, in the first quarter of FY2017, versus net income attributable to RMCF shareholders of \$763,000, or \$0.13 per basic and \$0.12 per diluted share, in the first quarter of FY2016.
- Operating income decreased 16.2 percent to \$1,183,000 in the first quarter of FY2017, compared with operating income of \$1,411,000 during the first quarter of FY2016.
- Adjusted EBITDA (a non-GAAP measure defined later in this release) decreased 17.2 percent to \$1,736,000 in the first quarter of FY2017, versus \$2,097,000 in the first quarter of FY2016.
- Factory sales declined 8.9 percent during the first quarter of FY2017, compared to the first quarter of FY2016 primarily due to a 20.4% decrease in shipments of product to customers outside our network of franchised retail stores.
- Royalty and marketing fees decreased 4.7 percent in the first quarter of FY2017, primarily due to an 11.5 percent decrease in the number of franchised locations in operation compared to the first quarter of FY2016.

- Franchise fees decreased 61.0 percent in the first quarter of FY2017, primarily due to fewer international license fees during the quarter compared to the first quarter of FY2016 as a result of the license fees associated with the license agreements for the development and franchising of CherryBerry stores in the Canadian province of Ontario being recognized in the first quarter of FY2016 and no international license fees being recognized in the first quarter of FY2017.
- Retail sales declined 10.5 percent during the first quarter of FY2017, compared to the first quarter of FY2016, primarily the result of fewer units in operation. Same-store sales at Company-owned stores and cafés increased 1.5 percent in the first quarter of FY2017 compared to the first quarter of FY2016.
- The Company's franchisees and licensees opened one domestic *Rocky Mountain Chocolate Factory* stores, eight international *Rocky Mountain Chocolate Factory* licensed stores, three domestic self-serve frozen yogurt cafés and one co-branded *Cold Stone Creamery* store during the first quarter of FY2017.
- The Company repurchased 14,422 shares of its common stock at an average price of \$10.07 during the first quarter of FY2017.
- On June 17, 2016, the Company paid its 52nd consecutive quarterly cash dividend to shareholders, in the amount of \$0.12 per share.
- During the first quarter of FY2017 the Company completed the acquisition of certain assets of FernCreek Confections® and Elaine's Toffee Company®. These acquisitions expanded the brand offerings of Rocky Mountain Chocolate Factory, provided an opportunity to acquire equipment and expanded our customer relationships.

FIRST QUARTER OPERATING RESULTS

Total revenue decreased 9.5 percent to \$9.4 million during the first quarter of FY2017, compared with \$10.4 million in revenue during the first quarter of FY2016.

Total factory sales decreased 8.9 percent to \$5.8 million in the first quarter of FY2017, compared to factory sales of \$6.3 million in the first quarter of FY2016. The decrease was due primarily to a 20.4 percent decrease in shipments of product to customers outside the Company's network of franchise retail locations, a 3.5 percent decrease in the average number of domestic *Rocky Mountain Chocolate Factory* franchised stores in operation and a 5.8 percent decrease in same-store pounds purchased by our network of franchise and licensed stores. Factory gross margins increased 10 basis points to 25.7 percent of factory sales in the first quarter of FY2017, compared to 25.6 percent in the first quarter of FY2016.

Retail sales declined 10.5 percent to \$1.3 million in the first quarter of FY2017, compared to \$1.4 million in the first quarter of FY2016. The decrease in retail sales was primarily due to the sale of certain Company-owned locations and the closure of a certain underperforming Company-owned location during the prior year. Partially offsetting this decrease, same-store sales at all Company-owned stores and cafés increased 1.5 percent during the first quarter of FY2017 compared to the first quarter of FY2016.

Royalties and marketing fees decreased 4.7 percent to \$2.2 million in the first quarter of FY2017, compared with \$2.4 million in the first quarter of FY2016, primarily due to an 11.5 percent decrease in the number of domestic franchise stores and cafés in operation resulting from store closures exceeding domestic store openings. The Company's franchisees and licensees opened one domestic Rocky Mountain Chocolate Factory stores, eight international Rocky Mountain Chocolate Factory licensed stores, three domestic self-serve frozen yogurt cafés and one co-branded Cold Stone Creamery stores during the first quarter of FY2017. Complete lists of stores and cafés are available on the Company's websites at www.rmcf.com and www.u-swirl.com.

Franchise fees decreased 61.0 percent to \$106,000 in the first quarter of FY2017, versus \$270,600 in the first quarter of FY2016, as a result of the license fees associated with the license agreements for the development and franchising of CherryBerry stores in the Canadian province of Ontario being recognized in the first quarter of FY2016 and no international license fees being recognized in the first quarter of FY2017.

Income from operations decreased 16.2 percent in the first quarter of FY2017 to \$1.2 million, compared with \$1.4 million in the first quarter of FY2016. The decrease in operating income was primarily the result of the decrease in revenues.

Interest expense, net of interest income, totaled \$36,000 in the first quarter of FY2017, compared with interest expense, net of interest income, of \$45,000 in the first quarter of FY2016. The decrease in net interest expense resulted from lower outstanding debt, the result of scheduled repayments from a promissory note entered into in January 2014 to fund business acquisitions by SWRL.

Pretax income declined 16.0 percent to \$1,147,000 in the first quarter of FY2017, versus \$1,366,000 in the first quarter of FY2016. The Company's effective income tax rate in the first quarter of FY2017 was 36.2 percent, which represented an increase of 4.5 percentage points when compared with an effective rate of 31.7 percent in the first quarter of FY2016. The increase in the effective tax rate is primarily due to the tax consequences of a change in the controlling interest in U-Swirl and foreclosure upon the stock of U-Swirl International, Inc.

Net income attributable to RMCF shareholders (after deducting the net loss attributable to non-controlling interest) decreased 4.1 percent to \$732,000, or \$0.13 per basic and \$0.12 per diluted share, in the first quarter of FY2017, compared with net income attributable to RMCF shareholders of \$763,000, or \$0.13 per basic and \$0.12 per diluted share, in the first quarter of FY2016.

U-Swirl recorded net income of \$295,000 in the first quarter of FY2017, compared with net income of \$279,000 in the first quarter of FY2016.

Operating income decreased 16.2 percent to \$1,183,000 in the first quarter of FY2017, compared with operating income of \$1,411,000 during the first quarter of FY2016.

Adjusted EBITDA (a non-GAAP financial measure defined later in this release) decreased 17.2 percent in the first quarter of FY2017 to \$1,736,000, versus \$2,097,000 in the first quarter of FY2016.

Non-GAAP Financial Measures

Adjusted EBITDA, a non-GAAP financial measure, is computed by adding depreciation and amortization, equity compensation expenses, impairment charges, restructuring charges, and acquisition-related costs 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 the adjusted EBITDA financial measure presented 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. Reconciliations of this non-GAAP measure to their most comparable GAAP measure are included below.

Cash Dividends

On June 17, 2016, the Company paid its 52nd consecutive quarterly cash dividend to shareholders, in the amount of \$0.12 per share.

Investor Conference Call

The Company will host an investor conference call today, July 12, 2016, at 4:15 p.m. Eastern Time (EDT), to discuss its operating results for the first quarter of FY2017, along with other topics of interest. To participate in the conference call, please call 1-877-270-2148 (Canadian participants call 1-866-605-3852 and international local participants call 1-412-902-6510) approximately five minutes prior to 4:15 p.m. EDT on July 12, 2016 and ask to be connected to the "Rocky Mountain Chocolate Factory Conference Call."

A replay of the conference call will be available one hour after completion of the call until Tuesday, July 19, 2016 at 5:00 p.m. EDT by calling 1-877-344-7529 (Canadian participants call 1-855-669-9658 and international participants call 1-412-317-0088) and entering the conference I.D.# 10089091.

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 July 12, 2016 the Company, its subsidiaries and its franchisees operated 576 *Rocky Mountain Chocolate Factory* and self-serve frozen yogurt stores in 44 states, Canada, Japan, South Korea, The Republic of the Philippines, The United Arab Emirates, The Kingdom of Saudi Arabia, and Turkey. 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 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties, and the Company undertakes no obligation to update any forward-looking information. Risks and uncertainties that could cause cash flows to decrease or actual results to differ materially include, without limitation, changes in the confectionery business environment, seasonality, consumer interest in the Company's products, general economic conditions, the success of U-Swirl, receptiveness of our products internationally, consumer and retail trends, costs and availability of raw materials, competition, the success of the Company's co-branding agreement with Cold Stone Creamery Brands, the success of international expansion efforts, the effect of government regulations and other risks. Readers are referred to the Company's periodic reports filed with the SEC, specifically the most recent reports which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. The information contained in this press release is a statement of the Company's present intentions, beliefs or expectations and is based upon, among other things, the existing business environment, industry conditions, market conditions and prices, the economy in general and the Company's assumptions. The Company may change its intentions, beliefs or expectations at any time and without notice, based upon any changes in such factors, in its assumptions or otherwise. The forward-looking statements contained or referred to in this press release should be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on its behalf may issue.

(Financial Highlights Follow)

STORE INFORMATION

	New stores opened during three months ended May 31, 2016	Stores open as of May 31, 2016
United States		
Rocky Mountain Chocolate Factory		
Franchise Stores	1	193
Company-Owned Stores	0	3
Cold Stone Creamery	1	77
International License Stores	8	86
U-Swirl		
Franchise Stores	3	197
Company-Owned Stores	0	8
International License Stores	0	8
Total	13	572

SELECTED BALANCE SHEET DATA

(in thousands)

		May 31, 2016		February 29, 2016
Current Assets	\$	14,787	\$	15,439
Total Assets	\$	30,179	\$	30,316
Current Liabilities	\$	8,135	\$	8,006
Stockholder's Equity	\$	18,534	\$	18,479

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

	Three Months Ended May 31,		Three Months Ended May 31,	
	2016	2015	2016	2015
Revenues				
Factory sales	\$ 5,761	\$ 6,324	61.4 %	61.0 %
Royalty and marketing fees	2,246	2,357	24.0 %	22.7 %
Franchise fees	106	271	1.1 %	2.6 %
Retail sales	1,263	1,412	13.5 %	13.6 %
Total revenues	9,376	10,364	100.0 %	100.0 %
Costs and expenses				
Cost of sales	4,699	5,164	50.1 %	49.8 %
Franchise costs	548	604	5.8 %	5.8 %
Sales and marketing	654	636	7.0 %	6.1 %
General and administrative	1,240	1,329	13.2 %	12.8 %
Retail operating	667	855	7.1 %	8.2 %
Depreciation and amortization	325	365	3.5 %	3.5 %
Restructuring and acquisition related charges	60	-	0.6 %	0.0 %
Total costs and expenses	8,193	8,953	87.4 %	86.4 %
Income (loss) from operations	1,183	1,411	12.6 %	13.6 %
Other income (expense)				
Interest expense	(48)	(59)	-0.5 %	-0.6 %
Interest income	12	14	0.1 %	0.1 %
Other, net	(36)	(45)	-0.4 %	-0.4 %
Income (loss) before income taxes	1,147	1,366	12.2 %	13.2 %
Provision for income taxes (benefit)	415	433	4.4 %	4.2 %
Consolidated net income	732	933	7.8 %	9.0 %
Less: net loss attributable to non-controlling interest	-	170	0.0 %	1.6 %
Net income attributable to RMCF	\$ 732	\$ 763	7.8 %	7.4 %
Basic earnings per common share	\$ 0.13	\$ 0.13		
Diluted earnings per common share	\$ 0.12	\$ 0.12		
Weighted average common shares outstanding	5,835,515	5,979,559		
Dilutive effect of employee Stock awards	181,742	235,431		
Weighted average common shares outstanding, assuming dilution	6,017,257	6,214,990		

GAAP RECONCILIATION
ADJUSTED EBITDA
(in thousands)

	Three Months Ended May 31,		Change
	2016	2015	
GAAP: Income from operations	\$ 1,183	\$ 1,411	-16.2 %
Depreciation and amortization	325	365	
Equity compensation expense	168	321	
Restructuring, impairment and acquisition related charges	60	-	
Non-GAAP, adjusted EBITDA	\$ 1,736	\$ 2,097	-17.2 %

**For Further Information, please contact
Rocky Mountain Chocolate Factory, Inc.
(970) 375-5678**

Source: Rocky Mountain Chocolate Factory, Inc.