

Rocky Mountain Chocolate Factory, Inc. (RMCF) Q4 2026 Earnings Call Transcript

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Rocky Mountain Chocolate Factory, Inc. ([RMCF](#)) Q4 2026 Earnings Call June 2, 2026
9:00 AM EDT

Company Participants

Jeffrey Geygan - Interim CEO & Director
Carrie Cass - Corporate Secretary & CFO

Conference Call Participants

Andrew Rem
Peter Sidoti - Sidoti & Company, Inc.

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to today's conference call to discuss Rocky Mountain Chocolate Factory's Financial Results for the Fiscal Fourth Quarter and Full Year 2026. [Operator Instructions] As a reminder, this conference is being recorded. Joining us on the call today are the company's Interim CEO, Jeff Geygan; and CFO, Carrie Cass.

Please be advised this conference call will contain statements that are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain known and unknown risks and uncertainties as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. These forward-looking statements are also subject to other risks and uncertainties that are described from time to time in the company's filings with the SEC. Do not place undue reliance on any forward-looking statements, which are being made only as of the date of this call. Except as required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements.

And now I'll turn the call over to the company's Interim CEO, Jeff Geygan. Jeff, please go ahead.

Jeffrey Geygan

Interim CEO & Director

Thank you, and good morning, everyone. Before I get into our broader business discussion, I want to address our fiscal fourth quarter. The results fell short of what we set out to achieve and accountability for that rests with me. The primary issue driving this shortfall was our packaged product assortment decision that did not align with our guest expectations, particularly with our boxed offerings. We leaned too heavily into larger format boxes and a mix of large and mountain-sized pieces of candy that retrospectively did not align with guest preferences. That impacted revenue, having an outsized effect on profitability. For reference, our lowest margin sales are ingredients, followed by supplies, then bulk candy. And finally, our best margin item is a packaged product.

Packaged sales for the quarter were roughly \$1.5 million below expectations, affecting store sales and disproportionately impacting our e-commerce business, which is largely made up of packaged product. Since year-end, we've conducted extensive consumer research involving more than 1,000 participants which has provided us with a clearer understanding of where our packaged assortment strategy missed the mark. Current feedback points to demand for greater assortment variety, more small piece format offerings and a mix of items, including caramels, nuts, creams, coffee, solid molded chocolates and meltaways.

We're addressing this situation now and expect to have a full lineup of reconfigured packaged items on store shelves by Labor Day. Our offerings will include 28, 14, 6 and 4-piece sized assortments. Boxes will be slimmed down and use paper cups instead of plastic trays, allowing greater product flexibility and speed of change. We believe our updated box configuration and related content selection are better aligned with how stores and online guests want to be served with this item. We'll be using cup style packaging, which we believe will improve presentation, reduce production and packaging costs and lower our price points to improve competitive positioning while driving greater sales volumes.

The quarter was also impacted by several other factors, most of which were temporary or onetime in nature. For example, we deliberately exited from a specialty markets customer relationship with a negative margin offering. This impacted revenue by nearly \$1.5 million. To round it out, we also experienced temporary disruptions related to our e-commerce transition. incurred costs associated with disposing of supplies of outdated packaging and faced an elevated level of professional service fees, all of which impacted fourth quarter results. While these items created near-term pressure, they don't change our long-term strategic view.

Our business transformation remains intact and on track. What this does reinforce is the importance of disciplined execution as we remain adaptive in response to incoming data. What gives us confidence today is what we see across the balance of the business. Over the past year, we have implemented multiple price adjustments, influenced product mix and launched operational changes that materially improve the underlying economics of RMCF, both at the sales and production levels. Based on our margin analysis of the products we sold in Q4 and continuing through our just concluded Q1, we achieved the highest gross margin mix in over two years.

Our gross margin is now close to our long-term target, allowing us to shift more of our efforts towards revenue growth. The work we've done around price adjustments, production process review, SKU rationalization and other operational changes is producing measurable results. The fourth quarter results don't fully reflect that progress, but the underlying data is clear and gives us conviction as we move forward. We're also working on the economics around e-commerce shipping, which has continued to be a pressure point for online sales. Historically, shipping costs on certain box products were too high relative to order value. We've negotiated corporate shipping rates that will materially improve our e-commerce cost structure. This is exactly how we've approached our transformational process since the beginning. We identify what isn't working, address it directly and move forward with improved processes.

The results from this quarter and full year weren't what we wanted, but that doesn't change the fact that our business is in much better off structurally than it was when the transformation began. Stronger data and analytics, better margin on revenue, improved production throughput, higher product quality and reduced scrap and waste levels. Looking at more recent developments, reviewing the franchise and retail store operations of our business, we continue to see encouraging performance trends in our newly designed and remodeled stores. Our Chicago State Street store is currently running at approximately \$1.1 million in annualized sales, and we believe this location has meaningful upside yet to be realized.

We're also encouraged by the performance of our Charleston, South Carolina location, which is currently operating at an approximate \$600,000 annualized run rate, consistent with our expectations for a brand-new store in a brand-new market, unlike Chicago, where we entered an existing market in which Rocky Mountain Chocolate Factory is already well known. This is important to realize when setting expectations for building in new versus existing markets. We believe Charleston will reach its run rate revenue within its first 3 years of operations, while we continue building brand awareness and local market familiarity. On the other hand, our company-owned store in Corpus Christi, Texas was remodeled and has since generated an approximate 10% to 15% sales increase following its reopening. We're also seeing encouraging trends at the Concord Mills, North Carolina store, which just recently completed its remodel.

These are important proof points because they demonstrate our refreshed brand, stronger in-store presentation and new operating models are resonating with guests. RMCF recently acquired the franchise store in Nashville, Tennessee, providing another opportunity to test merchandising and guest engagement initiatives in a company-controlled environment. Company store acquisitions are typically accretive to earnings and provide a valuable learning and testing platform as we launch new products and product lines and develop new guest engagement concepts designed to drive store level sales and improve profitability.

More broadly, we continue to believe there is a role for selective company-owned stores within the system. Today, we have four company-owned locations representing 3% of our domestic store census. It's reasonable to think company stores will represent between 5% and 10% of our store base in future years. We believe to be good franchisors, we must understand how to run an excellent store so we can train our current and prospective operators with that knowledge. We measure franchisee success by store sales growth, average ticket dollar value, items per transaction and overall profitability. We think an ideal franchisee should aspire to own and operate a local area complex of multiple sites to maximize their franchise business value.

We continue to measure stores owned per operator, and the number is creeping higher, now at 1.4 units. We're attracting and developing just these type of entrepreneurial operators as evidenced by our increasing area development agreements, or ADAs, which span both geographic and vertical markets, an exciting development and one that gives us great confidence our transformation is still in its early stages. Over time, we'll work to identify a handful of strategic locations to convert to company stores as we develop our long-term strategy that improves system economics, strengthens our operating visibility and creates additional testing capabilities.

Our Nashville presence, for instance, could serve us strategically over time as we think about how we need to provide regional support and the distribution necessary to serve the Eastern Seaboard and parts of the Midwest. To date, we have no presence in Boston, New York City, Philadelphia, Washington, D.C. or Atlanta, markets we intend to target through our franchise development initiatives. We have and are developing an ADA to build nine locations in Miami with two already underway and a third in the planning phases.

As we grow our East Coast presence, efficient and timely distribution and store service will be of paramount importance. We opened our newest location in Tinton Falls, New Jersey last Friday. It's located just minutes away from our Long Branch store, both of which are owned by a financially sophisticated and well-capitalized operator. We're well underway in developing more expansive plans to support East Coast growth. We're also advancing opportunities in existing markets, including Chicago, where we have an additional franchise store lease under a letter of intent.

On the new development front for franchisee expansion, we recently added a new 6-store ADA, bringing committed future development to 40 locations over the next three to five years. This one is our first vertical market development agreement, which includes Rocky Mountain winter and summer resort locations. The operator currently owns our Vail and Breckenridge locations and is now focused on other high-end resorts in the Rocky Mountains. He has a proven and exceptional operational record with Rocky Mountain Chocolate Factory.

In parallel, we are continuing to strengthen the operating platform that underpins the RMCF brand with a clear focus on helping franchisees increase sales and improve store level profitability. We've expanded the rollout of our upgraded POS platform across the system. That data and feedback have improved how we evaluate product mix, store performance and guest behavior. The analytics have created game-changing insights and opportunities for our business. This POS data provides measurable insights into average basket size, transaction counts and items per transaction. The visibility is valuable not only for our corporate team, but also for our franchisees, giving us fact-based foundation for coaching and making merchandising and assortment decisions. Ultimately, we're creating an environment that helps store level personnel evolve from simply taking orders to actively driving sales and engagement with guests.

We continue to reinforce merchandising standards across the system, so the guest experience is more consistent and the Rocky Mountain Five Senses experience becomes more pronounced across all locations. This includes the smell of caramel, the sight of beautifully crafted apples and colorful premium candies, the sounds of spatulas as they shape our handmade fudge, taste and feel that first bite of a delicious piece of chocolate or a caramel apple, all taken together create the Rocky Mountain moment that we've been delivering for over 45 years to each guest as they experience our local chocolate theatrics. We're more focused than ever on delivering the Five Senses and Rocky Mountain Moments experience as we work with franchisees to enrich each guest engagement and improve the overall in-store experience.

Moving on. Our third-party delivery initiative is another area where we see encouraging data and financial results. Average basket size through these platforms are running roughly 2x in-store transaction values. And surprisingly, roughly half these transactions are fulfilled through in-store pickup rather than direct delivery. This reinforces our view that third-party delivery is not simply a delivery channel, but also a guest acquisition channel, a convenience channel, an incremental order generation tool with higher average transaction values. With commissions remaining at or below 20% on negotiated agreements, we believe the economics will remain attractive as penetration increases. We also have a white label version of order online that is without commission expense, yet fulfills in the same way as traditional third-party delivery. We have made this available to all of our locations through newly developed store websites, which are branded RMCF but curated to each local store's market and operator. This represents a meaningful shift in how we're supporting franchisees at the store level.

On guest engagement, we're continuing to develop our loyalty and mobile app platform with our new app expected to launch late summer. We're also positioning for the rollout of our planned collaboration with Miraculous, the popular animated children's series, which will be centered on a limited time Caramel Apple promotion and in-store merchandising, which is planned to launch on September 15 and run through October 31st. We're really excited by this partnership. Taken together, these initiatives are intended to create more moments of discovery around the brand, drive repeat engagement and extend the Rocky Mountain experience beyond the four walls of our stores. We're placing greater emphasis on merchandising and assortment standards across the franchise system to create a consistent and repeatable guest experience. While many of these standards have historically existed within our franchise agreements, execution and enforcement have not always been uniform across locations.

As part of this effort, we're working towards dedicating 60% of store selling space to products that define the Rocky Mountain Chocolate Factory brand.

Our next phase of store-level SKU alignment is designed to ensure store guests can consistently find our most popular and highly demanded signature products, whether visiting a store in Long Branch, New Jersey or Los Angeles, California. Greater consistency across the system will strengthen brand presentation, improve the guest experience and support stronger store level sales and profitability. The foundation is in place. We're focused on disciplined execution across the system, converting operational improvements into sustainable growth and positive earnings.

As we enter our new fiscal year, our priorities are clear. First, execute with precision in the package and e-commerce categories; second, build on the meaningful margin improvements we've already achieved; and third, convert the progress we're seeing in the retail performance, franchise development, digital engagement and cost disciplines into consistent positive financial results. We know what we need to do. We're executing to achieve it. Transformation is never linear, and we've not represented it to be. Where we encounter obstacles, we adapt and move forward stronger and with better information. That's exactly what we're doing. We remain committed to long-term strategic thinking that transcends any single quarter's results. To borrow from Warren Buffett, games are won by players who focus on the playing field, not by those whose eyes are glued to the scoreboard.

With that, I'll turn the call over to Carrie to walk you through our fourth quarter and fiscal year financial results.

Carrie Cass

Corporate Secretary & CFO

Thank you, Jeff. Please note that unless stated otherwise, all comparisons are on a year-over-year basis. Total revenue for the fourth fiscal quarter was \$6.8 million compared to \$8.9 million in the same period last year. Product sales were \$5.1 million compared to \$7.1 million last year, and franchise and royalty fees were \$1.6 million compared to \$1.8 million in the same period last year. Total product and retail gross profit was a negative \$0.9 million compared to a negative \$0.8 million in the same period last year.

The decrease in revenue and gross profit primarily reflects the underperformance of our packaged assortment business, the deliberate reduction of certain low or negative margin specialty market business and select temporary items during the quarter that Jeff outlined earlier, partially offset by continued factory efficiency gains. Total costs and expenses were \$9.8 million compared to \$11.6 million in the same period last year. The decrease was primarily attributed to efficiencies obtained by relocating our consumer packaging operations back to our Durango production facility. Net loss was \$3.4 million or a negative \$0.38 per share compared to a net loss of \$2.9 million or negative \$0.37 per share in the same period last year.

Turning to the balance sheet. We ended our fiscal year with a cash balance of \$1.2 million compared to \$0.7 million at the end of the fiscal year '25. We also ended our fiscal year with total inventory of \$4.1 million compared to \$4.6 million last year. As of February 28, 2026, we have total debt outstanding of \$6.6 million.

This concludes our prepared remarks. We'll now open up for Q&A. Operator, back to you.

Question-and-Answer Session

Operator

[Operator Instructions] And our next question -- our first question will come from Andrew Rem of Odinson Partners.

Andrew Rem

I'm not sure exactly how to ask this question, but you mentioned changing the product assortment or product mix in your package assortment because that was what was disappointing in the quarter. How did you arrive at that original assortment?

Jeffrey Geygan

Interim CEO & Director

Andrew, good question. We use the data from the store level sales that we had at the time, which indicated that large-sized pieces and truffles were the most popularly demanded items and followed suit to build boxes around that.

Andrew Rem

Okay. So the change is that the -- now you're doing a consumer survey and that will kind of drive the assortment on a go-forward basis?

Jeffrey Geygan

Interim CEO & Director

That's correct. We didn't have the same level of survey when we initially started. And in fact, the 1,000 survey receipts we received included a number from our franchisees themselves as we service -- we surveyed both existing customers, prospective customers and added franchisees to that as we wanted to get feedback from them untarnished or separate from that of guests.

Andrew Rem

So prior -- and going back further on the -- again, just focusing on the items that are in these package assortment boxes historically, previously, you hadn't or it hadn't been done based on data, and it sounds like it also wouldn't have been done based on consumer survey. But that -- what was the -- prior to using data, how was that arrived at?

Jeffrey Geygan

Interim CEO & Director

Well, the -- to be clear, the concepts of the previous boxes were determined from the data we had from store level sales, which included -- was really long on truffles. And it turned out that our consumer or guest is most interested in buying a large truffle in store behind the candy case, but not necessarily in the package.

Andrew Rem

Got it. Okay. You mentioned that you exited business with a specialty customer and you mentioned what the impact was in the quarter. Can you say what the impact is on an annualized basis since you'll need the next 3 quarters to kind of fully annualize that impact?

Jeffrey Geygan

Interim CEO & Director

The vast majority of the sales from that specialty market customer occurred in Q4.

Andrew Rem

Okay. So is that a seasonal customer? Is that why?

Jeffrey Geygan

Interim CEO & Director

Yes, it was. And frankly, most of our specialty market customers are seasonal, where shipments occur generally in the fourth quarter around either the Christmas or Valentine's holiday, some to a lesser extent around Mother's Day. But our busiest single day of the year is Valentine's Day. Our busiest season, of course, is the Christmas holiday.

Andrew Rem

And then you mentioned the remodel in Corpus Christi. Can you just give us a sense of when you do a remodel, is -- same-store sales, the bump, is that the primary way that you evaluate the effectiveness of a remodel? Or what are the other metrics that you guys focus on to help you determine the effectiveness of a remodel?

Jeffrey Geygan

Interim CEO & Director

Yes, Andrew, it's a good question, and it's like a quadratic equation. There are a lot of variables in here. Obviously, the one that we measure most acutely is store sales, followed by profitability or mix, followed by basket size, average transaction value. But a lot -- once you start drilling down, a lot of that is your local operator. We happen to have an excellent store manager in our company-owned Corpus Christi store, which is why throughout my comments today, we've talked about qualitatively, how do we work with franchisees to help them develop stronger engagement with guests. We think that's critically important. However, we also get the qualitative information through various types of reviews, think Google, Yelp and so on. And we hear consistently with remodels, our guests love the new store design. And if you haven't been in one, it's self-evident when you walk in and you think, wow, this is really nice. Welcome to the 21st century.

Operator

And our next question will be coming from the line of Peter Sidoti with Sidoti & Company.

Peter Sidoti

Sidoti & Company, Inc.

Two quick questions. One, how far along are you in terms of the turnaround at this point? In other words, when do you think you'll be in a position to start selling new -- aggressively marketing new franchises?

Jeffrey Geygan

Interim CEO & Director

Peter, we're already done that. Thank you for your question, by the way. Yes, we're already done that. In fact, our franchise development department is quite busy, evidence, we've got 40 area development agreements that are ADAs, but we're also working with existing franchisees on one-offs. And there are a number of area development agreements that are in process right now that we hope to be able to communicate to you in the near future. But we've got 40 queued up here. We have expectations to have more than that in the future. But bear in mind, on a base of 140 stores, it's 30%. So we got to build those out.

Peter Sidoti

Sidoti & Company, Inc.

Right. What's limiting your ability to sell more franchises at this point in time?

Jeffrey Geygan

Interim CEO & Director

That's a good question. I think just having the right qualified prospective developer operator. And we're working very diligently. We're out at trade shows and soliciting and clearly, we need to do more with SEO, but I'm pretty satisfied with what we've done with that development. And bear in mind, we have to make sure we get it right, which means we have to make sure that we can get the store opened inside of -- our target is six months, and we're trying to drive costs down. Our franchise development team has done an excellent job on that. You know I last talked, they've taken a meaningful percentage out of -- from the first to the most recent store, and there's further room for cost reduction in building stores, which to an operator is really important if they're looking at ROI, which the financially sophisticated operator will be.

Peter Sidoti

Sidoti & Company, Inc.

Right. So in general, what percentage of new franchises are being sold to existing franchisees?

Jeffrey Geygan

Interim CEO & Director

Well, of the 40, there are nine that are a brand-new guy and the 31 are with existing. And Peter, of course, our strategy was let's go to our existing customer, the guy that already knows and loves the brand. So that was the easy one. Then the next leg of the trip is let's go to outside guys and see if we can get interest there. But I've been very clear, we want new franchisees that are multi-unit, have multi-unit capabilities. And I've said, and I'm not sure if I've said it on a public call, but I've said it many times, if a prospective franchisee doesn't want to open 10, 12 stores, probably not the right guy for us. We wanted to put someone up, for example, in New York City or Manhattan, Long Island and say, hey, you want to build 10, 20, 30 stores here, now you're talking. I'm very disinterested in a guy that wants to open one store somewhere on Long Island. It just doesn't make sense.

Peter Sidoti

Sidoti & Company, Inc.

All right. So I'll give up my franchise on Fire Island.

Jeffrey Geygan

Interim CEO & Director

I know we talked about it, but if we build 30 now, we'll squeeze you in out there.

Peter Sidoti

Sidoti & Company, Inc.

Just my other question is in terms of -- is there a target on when you think you'll be in a position to be positive cash flow generating?

Jeffrey Geygan

Interim CEO & Director

We haven't disclosed that. But between everyone and me on this call, it's as soon as possible. That's absolutely our goal.

Operator

To turn the call back over for closing remarks.

Jeffrey Geygan

Interim CEO & Director

I think we just want to thank everybody for your patience as we work through this transformation. We really have aspirational plans. It's frustrating for us, and I suspect for many investors that this quarter wasn't better, but it's not for lack of effort here, and we do have a high level of confidence in our plan of execution.

With that, I thank you. We will report Q1, which just ended on May 31. We'll report out 10-Q on July 14. We'll have a conference call shortly after that. So that's in the short six weeks, and I hope to be able to give you a lot more updates on how we're going to Peter's point with area developments and so on.

Until then, thank you all, and feel free to reach out to Carrie and me if you have any other questions.

Operator

And this concludes today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.

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