McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF FISCAL 2017

Mount Gilead, N.C. – March 15, 2017. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the second quarter of fiscal 2017 of $28,113,000 as compared to $28,801,000 for the second quarter of fiscal 2016. Net earnings for the second quarter of fiscal 2017 amounted to $1,633,000, or $0.68 per diluted Class A common share as compared to $1,399,000, or $0.58 per diluted Class A common share, for the second quarter of fiscal 2016.

Consolidated net revenues for the first six months of fiscal 2017 totaled $57,986,000 as compared to $60,531,000 for the first six months of fiscal 2016. Net earnings for the first six months of fiscal 2017 amounted to $3,160,000, or $1.31 per diluted Class A common share, as compared to net earnings of $3,394,000, or $1.40 per diluted Class A common share, for the first six months of fiscal 2016.

SECOND QUARTER FISCAL 2017 COMPARED TO SECOND QUARTER FISCAL 2016

Consolidated net revenues totaled $28.1 million for the second quarter of fiscal 2017 as compared to $28.8 million for the second quarter of fiscal 2016. Sales related to our western/lifestyle boot products for the second quarter of fiscal 2017 totaled $13.5 million as compared to $16.3 million for the second quarter of fiscal 2016. This 17% decrease in net revenues is primarily a result of decreased sales in our ladies fashion boots. As expected, the ladies western boots are declining to more historical levels and we continue to see softness in most sectors of our western/lifestyle boot products. Revenues from our work boot products grew approximately 13%, from $12.4 million for the second quarter of fiscal 2016 to $14.1 million for the second quarter of fiscal 2017 as the production of military boots related to our multiple government contracts continues to increase.

Consolidated gross profit for the second quarter of fiscal 2017 amounted to approximately $7.4 million as compared to $7.3 million for the second quarter of fiscal 2016. Gross profit as a percentage of net revenues was up from 25.5% for the second quarter of fiscal 2016 to 26.3% for the second quarter of fiscal 2017. This is primarily due to labor efficiencies gained and decreased overhead in the manufacturing of our military boots.

Consolidated selling, general and administrative (“SG&A”) expenses totaled approximately $4.8 million for the second quarter of fiscal 2017 as compared to $5.1 million for the second quarter of fiscal 2016. This decrease in SG&A expenses resulted primarily from decreased expenditures for professional services, sales commissions, and heath insurance costs.

As a result of the above, the consolidated operating profit for the second quarter of fiscal 2017 amounted to $2.6 million as compared to $2.2 million for the second quarter of fiscal 2016.

FIRST SIX MONTHS FISCAL 2017 COMPARED TO FIRST SIX MONTHS FISCAL 2016

Consolidated net revenues for the first six months of fiscal 2017 totaled $58.0 million as compared to $60.5 million for the first six months of fiscal 2016. Our western and lifestyle product sales totaled $27.9 million for the first six months of fiscal 2017 as compared to $34.7 million for the first six months of fiscal 2016, with the decrease resulting from a softening in higher priced ladies fashion boots and most sectors of our western/lifestyle products. Net revenues from our work boot business grew from $25.7 million for the first six months of fiscal 2016 to $29.5 million for the first six months of fiscal 2017. This increase in work boot products net revenues resulted primarily from higher military boot shipments associated with our U. S. Government contracts.

Consolidated gross profit totaled $14.8 million for the first six months of fiscal 2017 as compared to $16.0 million for the first six months of fiscal 2016. Gross profit attributable to our western and lifestyle products totaled $9.9 million for the first six months of fiscal 2017, down from $12.5 million for the first six months of fiscal 2016. This decrease in gross profit is directly correlated with the decrease in sales. Our work boot products gross profit grew from $3.4 million for the first six months of fiscal 2016 to $4.8 million for the first six months of fiscal 2017. This increase was driven by the higher military boot shipments mentioned above.

Consolidated selling, general and administrative ("SG&A") expenses totaled approximately $9.8 million for the first six months of fiscal 2017 as compared to $10.6 million for the first six months of fiscal 2016. This decrease in SG&A expenses resulted primarily from decreased expenditures for professional services and sales commissions.

As a result of the above, the consolidated operating profit amounted to $5.0 million for the first six months of fiscal 2017 as compared to $5.4 million for the first six months of fiscal 2016.

Financial Condition and Liquidity

Our financial condition remained strong at January 28, 2017 as cash and cash equivalents totaled $23.4 million as compared to $15.7 million at July 30, 2016. Our working capital increased from $50.5 million at July 30, 2016 to $53.2 million at January 28, 2017.

We currently have two lines of credit totaling $6.75 million, all of which was fully available at January 28, 2017. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the Government) expires in January 2018. Our $5.0 million line of credit, which also expires in January 2018, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary. We believe that our current cash and cash equivalents, cash generated from operations, and available credit lines will be sufficient to meet our capital requirements for the remainder of fiscal 2017.

For the first six months of fiscal 2017, operating activities provided approximately $8.6 million of cash. Net earnings, as adjusted for depreciation, contributed approximately $3.8 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $1.8 million of cash as a result of timing of payments related to the western and work boot business. Decreased inventory levels in both of our boot businesses provided approximately $8.4 million of cash. Accounts payable, employee benefit distributions, accrued payroll and payroll taxes, and income tax payments used approximately $1.8 million of cash.

Net cash used by investing activities totaled approximately $0.3 million, primarily for a building improvements and manufacturing equipment.

Net cash used in financing activities totaled $0.6 million, which was used for dividend payments.

Forward-Looking Statements

This press release includes certain forward-looking statements. Important factors that could cause actual results or events to differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements include: the effect of competitive products and pricing, risks unique to selling goods to the Government (including variation in the Government's requirements for our products and the Government's ability to terminate its contracts with vendors), changes in fashion cycles and trends in the western boot business, loss of key customers, acquisitions, supply interruptions, additional financing requirements, our expectations about future Government orders for military boots, loss of key management personnel, our ability to successfully develop new products and services, and the effect of general economic conditions in our markets.

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McRae Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	January 28, 2017	July 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$23,406	$15,673
Short term securities	377	501
Accounts and notes receivable, net	14,496	12,708
Inventories, net	19,596	27,944
Income tax receivable	22	897
Prepaid expenses and other current assets	365	433
Total current assets	58,262	58,156
Property and equipment, net	7,804	8,147
Other assets:		
Deposits	14	14
Long term securities	3,612	3,520
Real estate held for investment	3,627	3,602
Amounts due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	12,365	12,248
Total assets	$78,431	$78,551

McRae Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	January 28, 2017	July 30, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,621	$4,696
Accrued employee benefits	777	1,090
Accrued payroll and payroll taxes	891	1,207
Other	739	698
Total current liabilities	5,028	7,691
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares issued and outstanding, 2,031,188 and 2,030,658 shares, respectively	2,031	2,031
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 387,099 and 387,628 shares, respectively	387	388
Unrealized losses on investments, net of tax	(47)	(59)
Retained earnings	71,032	68,500
Total shareholders' equity	73,403	70,860
Total liabilities and shareholders' equity	$78,431	$78,551

McRae Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	January 28, 2017	January 30, 2016	January 28, 2017	January 30, 2016
Net revenues	$28,113	$28,801	$57,986	$60,531
Cost of revenues	20,727	21,456	43,231	44,528
Gross profit	7,386	7,345	14,755	16,003
Selling, general and administrative expenses	4,813	5,115	9,777	10,571
Operating profit	2,573	2,230	4,978	5,432
Other income	61	104	155	193
Earnings before income taxes	2,634	2,334	5,133	5,625
Provision for income taxes	1,001	935	1,973	2,231
Net earnings	$1,633	$1,399	$3,160	$3,394
Earnings per common share:				
Diluted earnings per share[1]:				
Class A	0.68	0.58	1.31	1.40
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	2,030,710	2,039,822	2,030,684	2,039,584
Class B	387,577	390,003	387,603	390,537
Total	2,418,287	2,429,825	2,418,287	2,430,121

[1]Diluted earnings per share is calculated using the if-converted method, which assumes that all Class B common shares are converted into Class A common shares. Therefore, for Class A shares, distributed earnings with respect to Class A and all undistributed earnings are used to calculate diluted earnings per share. For Class B shares, distributed earnings with respect to Class B and no undistributed earnings are used to calculate diluted earnings per share. The current period calculation has been computed in accordance with the foregoing and the prior year calculation has been adjusted to correctly reflect this method.

McRae Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	January 28, 2017	January 30, 2016
Net cash provided by operating activities	8,617	(652)
Cash Flows from Investing Activities:		
Purchase of land for investment	(25)	(11)
Capital expenditures	(274)	(1,611)
Purchase of securities	43	(67)
Net cash used in investing activities	(256)	(1,689)
Cash Flows from Financing Activities:		
Purchase of common stock	-	(29)
Dividends paid	(628)	(631)
Net cash used in financing activities	(628)	(660)
Net (Decrease) Increase in Cash and Cash equivalents	7,733	(3,001)
Cash and Cash Equivalents at Beginning of Year	15,673	15,437
Cash and Cash Equivalents at End of Year	$23,406	$12,436