

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE FIRST QUARTER
OF FISCAL 2024

Mount Gilead, N.C. – January 5, 2024. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the first quarter of fiscal 2024 of \$32,826,000 as compared to \$33,783,000 for the first quarter of fiscal 2023. Net earnings for the first quarter of fiscal 2024 amounted to \$3,222,000, or \$1.43 per diluted Class A common share as compared to \$2,857,000, or \$1.26 per diluted Class A common share, for the first quarter of fiscal 2023.

FIRST QUARTER FISCAL 2024 COMPARED TO FIRST QUARTER FISCAL 2023

Consolidated net revenues totaled \$32.8 million for the first quarter of fiscal 2024 as compared to \$33.8 million for the first quarter of fiscal 2023. Sales related to our western/lifestyle boot products for the first quarter of fiscal 2024 totaled \$22.0 million as compared to \$26.8 million for the first quarter of fiscal 2023. This 18% decrease was seen across most of our western brands. We have seen a slowdown in demand, especially with the independent retailers who, for the most part, were over inventoried during the quarter. Revenues from our work boot products increased approximately 35%, from \$7.0 million for the first quarter of fiscal 2023 to \$9.4 million for the first quarter of fiscal 2024. This is primarily a result of an increase in military boot sales.

Consolidated gross profit for the first quarter of fiscal 2024 amounted to approximately \$9.9 million as compared to \$10.3 million for the first quarter of fiscal 2023. However, gross profit as a percentage of net revenues remained relatively consistent at 30.2% for the first quarter of fiscal 2024 as compared to 30.5% for the first quarter of fiscal 2023. Gross profit was positively affected by \$1.6 million from the sale of real estate held for investment.

Consolidated selling, general and administrative (“SG&A”) expenses remained relatively consistent at approximately \$6.0 million for the first quarter of fiscal 2024 and fiscal 2023.

As a result of the above, the consolidated operating profit for the first quarter of fiscal 2024 amounted to \$3.9 million as compared to \$4.2 million for the first quarter of fiscal 2023.

Financial Condition and Liquidity

Our financial condition remained strong at October 28, 2023 as cash and cash equivalents totaled \$24.0 million as compared to \$18.3 million at July 29, 2023. Our working capital increased from \$75.8 million at July 29, 2023 to \$78.9 million at October 28, 2023.

We currently have two lines of credit totaling \$6.75 million, all of which were fully available at October 28, 2023. 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 2025. Our \$5.0 million line of credit, which also expires in January 2025, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

Net cash provided in operating activities for the first quarter of fiscal 2024 amounted to \$7.2 million. Net earnings, adjusted for depreciation and other non-cash items, contributed approximately \$2.0 million of cash. Inventory and accrued income taxes provided approximately \$4.6 million of cash.

Net cash used in investing activities for the first quarter of fiscal 2024 totaled approximately \$1.2 million primarily due to \$8.9 million in security purchases, offset by \$6.2 million in security sales. Additionally,

as mentioned in the Company's latest Annual Report, \$1.7 million in cash was provided by the sale of land through our affiliate American Mortgage Investment Company (AMIC).

Net cash used in financing activities for the first quarter of fiscal 2024 totaled \$0.3 million, which was primarily used for dividend payments.

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 2024.

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.

Contact:

D. Gary McRae
(910) 439-6147

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

	<u>October 28, 2023</u>	<u>July 29, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$24,001	\$18,329
Equity investments	6,209	6,459
Debt securities	17,882	15,047
Accounts receivable, net	19,435	19,880
Inventories, net	18,045	21,914
Income tax receivable	-	370
Prepaid expenses and other current assets	<u>661</u>	<u>317</u>
Total current assets	<u>86,233</u>	<u>82,316</u>
Property and equipment, net	<u>4,829</u>	<u>4,917</u>
Other assets:		
Deposits	14	14
Right to Use Asset	2,240	2,362
Real estate held for investment	2,964	3,036
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>8,042</u>	<u>8,236</u>
Total assets	<u><u>\$99,104</u></u>	<u><u>\$95,469</u></u>

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

	<u>October 28, 2023</u>	<u>July 29, 2023</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,801	\$2,122
Accrued employee benefits	2,168	1,783
Accrued payroll and payroll taxes	630	1,293
Lease liability	429	429
Income tax payable	366	-
Other	<u>962</u>	<u>878</u>
Total current liabilities	<u>7,356</u>	<u>6,505</u>
Lease liability	1,811	1,933
Deferred tax liabilities	<u>114</u>	<u>114</u>
Total liabilities	<u>9,281</u>	<u>8,552</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,896,334 and 1,895,949 shares, respectively	1,896	1,896
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 363,826 and 364,211 shares, respectively	364	364
Retained earnings	<u>87,563</u>	<u>84,657</u>
Total shareholders' equity	<u>89,823</u>	<u>86,917</u>
Total liabilities and shareholders' equity	<u><u>\$99,104</u></u>	<u><u>\$95,469</u></u>

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

	Three Months Ended	
	October 28, 2023	October 29, 2022
Net revenues	\$32,826	\$33,783
Cost of revenues	<u>22,917</u>	<u>23,489</u>
Gross profit	9,909	10,294
Selling, general and administrative expenses	<u>6,003</u>	<u>6,046</u>
Operating profit	3,906	4,248
Other income	<u>64</u>	<u>(189)</u>
Earnings before income taxes	3,970	4,059
Provision for income taxes	<u>748</u>	<u>1,202</u>
Net earnings	<u><u>\$3,222</u></u>	<u><u>\$2,857</u></u>
Earnings per common share:		
Diluted earnings per share:		
Class A	1.43	1.26
Class B	NA	NA
Weighted average number of common shares outstanding:		
Class A	1,896,219	1,895,035
Class B	<u>363,941</u>	<u>365,125</u>
Total	<u><u>2,260,160</u></u>	<u><u>2,260,160</u></u>

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

	Common Stock, \$1 par value				Accumulated Other	
	Class A		Class B		Comprehensive Income (Loss)	Retained Earnings
	Shares	Amount	Shares	Amount		
Balance, July 30, 2022	1,895,035	\$1,895	365,125	\$365	\$0	\$78,989
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						2,857
Balance, October 29, 2022	1,895,035	\$1,895	365,125	\$365	\$0	\$81,530
	Common Stock, \$1 par value				Accumulated Other	
	Class A		Class B		Comprehensive Income (Loss)	Retained Earnings
	Shares	Amount	Shares	Amount		
Balance, July 29, 2023	1,895,949	\$1,896	364,211	\$364	\$0	\$84,657
Conversion of Class B to Class A Stock	385	-	(385)	-		
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						3,222
Balance, October 28, 2023	1,896,334	\$1,896	363,826	\$364	\$0	\$87,563

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

	Three Months Ended	
	October 28, 2023	October 29, 2022
Cash Flows from Operating Activities:		
Net earnings	\$3,222	\$2,857
Adjustments to reconcile net earnings to net cash used in operating activities	3,928	(4,036)
Net cash used in operating activities	7,150	(1,179)
Cash Flows from Investing Activities:		
Proceeds from sale of land	1,660	-
Capital expenditures	(78)	(374)
Purchase of securities	(8,926)	(103)
Proceeds from sale of securities	6,182	-
Net cash provided by investing activities	(1,162)	(477)
Cash Flows from Financing Activities:		
Dividends paid	(316)	(316)
Net cash used in financing activities	(316)	(316)
Net (Decrease) Increase in Cash and Cash equivalents	5,672	(1,972)
Cash and Cash Equivalents at Beginning of Year	18,329	15,315
Cash and Cash Equivalents at End of Period	\$24,001	\$13,343