McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF FISCAL 2018

Mount Gilead, N.C. – April 4, 2018. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the second quarter of fiscal 2018 of $20,472,000 as compared to $28,113,000 for the second quarter of fiscal 2017. Net earnings for the second quarter of fiscal 2018 amounted to $681,000, or $0.28 per diluted Class A common share as compared to $1,633,000, or $0.68 per diluted Class A common share, for the second quarter of fiscal 2017.

Consolidated net revenues for the first six months of fiscal 2018 totaled $42,870,000 as compared to $57,986,000 for the first six months of fiscal 2017. Net earnings for the first six months of fiscal 2018 amounted to $1,973,000, or $0.82 per diluted Class A common share, as compared to net earnings of $3,160,000, or $1.31 per diluted Class A common share, for the first six months of fiscal 2017.

SECOND QUARTER FISCAL 2018 COMPARED TO SECOND QUARTER FISCAL 2017

Consolidated net revenues totaled $20.5 million for the second quarter of fiscal 2018 as compared to $28.1 million for the second quarter of fiscal 2017. Sales related to our western/lifestyle boot products for the second quarter of fiscal 2018 totaled $12.5 million as compared to $13.2 million for the second quarter of fiscal 2017. This 5% decrease in net revenues is primarily a result of decreased sales in our premium kid's boots, as well as a general softness in most sectors of our western/lifestyle boot products. Revenues from our work boot products decreased approximately 48%, from $14.1 million for the second quarter of fiscal 2017 to $7.3 million for the second quarter of fiscal 2018. This was primarily a result of decreased military boots sales, as we experience a gap in our multiple government contracts. As mentioned in the first quarter, the delivery time frame for the new contract for hot weather Army combat boots was extended. While the first delivery on this contract is scheduled for May 2018, we have been shipping a small quantity ahead of schedule. On March 30, 2018, McRae Industries received an award from the Defense Logistics Agency Troop Support for a maximum $75,476,836 firm-fixed price, indefinite-delivery/indefinite-quantity contract for temperate weather combat boots. This is a one year base contract with four one year option periods. The first delivery is 120 days from the award date.

Consolidated gross profit for the second quarter of fiscal 2018 amounted to approximately $5.0 million as compared to $7.4 million for the second quarter of fiscal 2017. Gross profit as a percentage of net revenues was down from 35.6% for the second quarter of fiscal 2017 to 32.0% for the second quarter of fiscal 2018. This is primarily due to lower sales of military boots.

Consolidated selling, general and administrative ("SG&A") expenses totaled approximately $4.4 million for the second quarter of fiscal 2018 as compared to $4.8 million for the second quarter of fiscal 2017. This decrease resulted primarily from decreased employee related expenses.

As a result of the above, the consolidated operating profit for the second quarter of fiscal 2018 amounted to $0.6 million as compared to $2.6 million for the second quarter of fiscal 2017.

FIRST SIX MONTHS FISCAL 2018 COMPARED TO FIRST SIX MONTHS FISCAL 2017

Consolidated net revenues for the first six months of fiscal 2018 totaled $42.9 million as compared to $58.0 million for the first six months of fiscal 2017. Our western and lifestyle product sales totaled $24.7 million for the first six months of fiscal 2018 as compared to $27.5 million for the first six months of fiscal 2017, with the decrease primarily resulting from a decrease in sales for women's western boots and premium kid's boots. Net revenues from our work boot business declined from $29.5 million for the first six months of fiscal 2017 to $16.4 million for the first six months of fiscal 2018. This decrease in work boot products net revenues resulted primarily from lower military boot shipments associated with our U. S. Government contracts.

Consolidated gross profit totaled $11.2 million for the first six months of fiscal 2018 as compared to $14.8 million for the first six months of fiscal 2017. Gross profit attributable to our western and lifestyle products totaled $8.7 million for the first six months of fiscal 2018, down from $9.7 million for the first six months of fiscal 2017. This decrease in gross profit is directly correlated with the decrease in sales. Our work boot products gross profit declined from $4.8 million for the first six months of fiscal 2017 to $1.8 million for the first six months of fiscal 2018. This decrease was driven by the overall decrease in military boot shipments.

Consolidated selling, general and administrative ("SG&A") expenses totaled approximately $8.6 million for the first six months of fiscal 2018 as compared to $9.8 million for the first six months of fiscal 2017. This decrease resulted primarily from decreased expenditures for computer services, commissions, and employee related expenses.

As a result of the above, the consolidated operating profit amounted to $2.6 million for the first six months of fiscal 2018 as compared to $5.0 million for the first six months of fiscal 2017.

Financial Condition and Liquidity

Our financial condition remained strong at January 27, 2018 as cash and cash equivalents totaled $32.3 million as compared to $28.1 million at July 29, 2017. Our working capital increased from $54.3 million at July 29, 2017 to $55.4 million at January 27, 2018.

We currently have two lines of credit totaling $6.75 million, all of which was fully available at January 27, 2018. 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 2019. Our $5.0 million line of credit, which also expires in January 2019, 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 2018.

For the first six months of fiscal 2018, operating activities provided approximately $5.7 million of cash. Net earnings, as adjusted for depreciation, contributed approximately $2.6 million of cash. Decreased inventory levels in both of our boot businesses provided approximately $5.0 million of cash. Accounts payable, employee benefit distributions, accrued payroll and payroll taxes, and income tax payments used approximately $1.9 million of cash.

Net cash used by investing activities totaled approximately $0.9 million, primarily for manufacturing machinery and 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 27, 2018	July 29, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$32,293	$28,057
Short term securities	506	505
Accounts and notes receivable, net	12,505	12,331
Inventories, net	13,316	18,273
Income tax receivable	276	329
Prepaid expenses and other current assets	300	550
Total current assets	59,196	60,045
Property and equipment, net	7,391	7,391
Other assets:		
Deposits	14	14
Long term securities	3,908	3,804
Real estate held for investment	3,772	3,601
Amounts due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	12,806	12,531
Total assets	$79,393	$79,967

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

	January 27, 2018	July 29, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,170	$2,510
Accrued employee benefits	354	1,144
Accrued payroll and payroll taxes	538	809
Accrued income taxes	0	589
Other	734	714
Total current liabilities	3,796	5,766
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares issued and outstanding, 2,022,983 and 2,014,842 shares, respectively	2,023	2,015
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 375,113 and 383,254 shares, respectively	375	384
Unrealized losses on investments, net of tax	41	(5)
Retained earnings	73,158	71,807
Total shareholders' equity	75,597	74,201
Total liabilities and shareholders' equity	$79,393	$79,967

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

	Three Months Ended		Six Months Ended	
	January 27, 2018	January 28, 2017	January 27, 2018	January 28, 2017
Net revenues	$20,472	$28,113	$42,870	$57,986
Cost of revenues	15,511	20,727	31,673	43,231
Gross profit	4,961	7,386	11,197	14,755
Selling, general and administrative expenses	4,404	4,813	8,603	9,777
Operating profit	557	2,573	2,594	4,978
Other income	111	61	189	155
Earnings before income taxes	668	2,634	2,783	5,133
Provision for income taxes	(13)	1,001	810	1,973
Net earnings	$681	$1,633	$1,973	$3,160
Earnings per common share:				
Diluted earnings per share:				
Class A	0.28	0.68	0.82	1.31
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	2,018,387	2,030,710	2,016,614	2,030,684
Class B	379,709	387,577	381,482	387,603
Total	2,398,096	2,418,287	2,398,096	2,418,287

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

	Six Months Ended	
	January 27, 2018	January 28, 2017
Net cash provided by operating activities	5,714	8,617
Cash Flows from Investing Activities:		
Purchase of land for investment	(171)	(25)
Capital expenditures	(627)	(274)
Purchase of securities	(58)	43
Net cash used in investing activities	(856)	(256)
Cash Flows from Financing Activities:		
Dividends paid	(622)	(628)
Net cash used in financing activities	(622)	(628)
Net (Decrease) Increase in Cash and Cash equivalents	4,236	7,733
Cash and Cash Equivalents at Beginning of Year	28,057	15,673
Cash and Cash Equivalents at End of Year	$32,293	$23,406