

McRAE INDUSTRIES, INC.

REPORTS EARNINGS FOR FISCAL 2015

Mount Gilead, N.C. – November 10, 2015. **McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB)** reported consolidated net revenues for fiscal 2015 of \$108,673,000 as compared to \$103,629,000 for fiscal 2014. Net earnings for fiscal 2015 totaled \$6,641,000 as compared to \$7,548,000 for fiscal 2014. Net earnings per diluted Class A common share were \$3.17 for fiscal 2015 as compared to \$3.51 for fiscal 2014.

CONSOLIDATED RESULTS OF OPERATIONS, FISCAL 2015 COMPARED TO FISCAL 2014

Consolidated net revenues for fiscal 2015 amounted to approximately \$108.7 million as compared to \$103.6 million for fiscal 2014. Our western/lifestyle products business grew from \$66.3 million for fiscal 2014 to \$67.1 million for fiscal 2015 as demand for our premium western boot products increased while demand for our moderately priced western and lifestyle products was down slightly from the previous year as the women's fashion market shows a small degree of softness. Consolidated net revenues from our work boot product sales totaled \$41.3 million for fiscal 2015 as compared to \$37.0 million for fiscal 2014. This growth in work boot net revenues was primarily the result of higher military boot production levels associated with our Department of Defense and Israeli government contracts. In addition, our commercial military boot business grew remarkably over the prior year. Net revenues associated with our other small businesses were insignificant for fiscal 2015 and we expect their contribution to be minimal in the future. For fiscal 2016, we are cautiously optimistic that the improved economy will continue to have a positive impact on our western/life style boot business and our commercial work and military boot business. In addition, we expect our military boot contract business to provide a solid base for overall net revenue performance for fiscal 2016.

Consolidated gross profit for fiscal 2015 totaled \$29.3 million as compared to \$30.1 million for fiscal 2014. Gross profit as a percentage of net revenues associated with our western/lifestyle boot segment amounted to 35.7%, down slightly from 36.3% for fiscal 2014 primarily due to changes in the product mix. Gross profit as a percentage of net revenues related to our work boot business fell from 16.1% for fiscal 2014 to 12.5% for fiscal 2015. This decline in gross profit as a percentage of net revenues was primarily attributable to our military boot business as a result of inefficiencies associated with the hiring and training of a significant number of production workers in anticipation of increased production levels for fiscal 2016.

Consolidated selling, general and administrative ("SG&A") expenses amounted to \$19.0 million as compared to \$18.7 million for fiscal 2014. This increase in SG&A expenses was the result of higher support costs associated with the increase in net revenues. As a percentage of net revenues, SG&A expenses for fiscal 2015 totaled 17.5% as compared to 18.0% for fiscal 2014. Increased expenditures for administrative related compensation expenses, advertising, professional fees and business insurance costs were partially offset by reduced sales compensation charges and employee benefit related costs.

As a result of the above, consolidated operating profit totaled approximately \$10.3 million for fiscal 2015 as compared to \$11.5 million for fiscal 2014.

FINANCIAL CONDITION AND LIQUIDITY

At August 1, 2015, our financial condition and liquidity remained strong as cash and cash equivalents totaled \$15.4 million as compared to \$18.9 million at August 2, 2014. Our working capital totaled \$51.3 million at August 1, 2015 as compared to \$51.2 million at August 2, 2014.

We currently have two lines of credit with a bank totaling \$6.75 million, all of which were fully available at August 1, 2015. 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 2016. The \$5.0 million line of credit, which also expires in January 2016, 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 fiscal 2016.

Net cash provided by operating activities for fiscal 2015 amounted to approximately \$4.3 million. Net earnings, as adjusted for depreciation, contributed approximately \$7.4 million of cash. Accounts receivable used approximately \$2.2 million of cash as fourth quarter sales for both of our boot segments increased. Higher inventory levels in our military boot business, which were partially offset by lower inventory levels for our western/work boot business used approximately \$3.5 million of cash. The timing of payment for accounts payable, accrued employee benefits, accrued payroll and income tax payments provided approximately \$2.5 million of cash.

Net cash used in investing activities totaled approximately \$6.5 million. Capital expenditures, primarily for manufacturing equipment, office equipment, our plant facility expansion, and computer software upgrade used approximately \$3.4 million of cash. Investment in our marketable securities portfolio used approximated \$3.2 million of cash.

Net cash used to finance our dividend payments totaled approximately \$1.3 million.

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)

	<u>August 1, 2015</u>	<u>August 2, 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$15,437	\$18,880
Short term securities	500	76
Accounts and notes receivable, less allowances of \$1,975 and \$1,586, respectively	15,636	13,428
Inventories, net	25,757	22,288
Income tax receivable	122	938
Prepaid expenses and other current assets	532	553
Deferred tax assets	<u>2,270</u>	<u>2,218</u>
Total current assets	<u>60,254</u>	<u>58,381</u>
Property and equipment, net	<u>5,817</u>	<u>3,222</u>
Other assets:		
Deposits	14	14
Long term securities	3,553	872
Real estate held for investment	3,594	3,585
Amounts due from split-dollar life insurance	2,288	2,288
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>12,273</u>	<u>9,583</u>
Total assets	<u><u>\$78,344</u></u>	<u><u>\$71,186</u></u>

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

	<u>August 1, 2015</u>	<u>August 2, 2014</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$5,599	\$3,778
Accrued employee benefits	1,627	1,798
Accrued payroll and payroll taxes	1,225	1,161
Other	<u>552</u>	<u>463</u>
Total current liabilities	<u>9,003</u>	<u>7,200</u>
Deferred tax liabilities	<u>1,513</u>	<u>1,536</u>
Total liabilities	<u>10,516</u>	<u>8,736</u>
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 2,039,335 and 2,038,543 shares, respectively	2,040	2,039
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 391,189 and 391,981 shares, respectively	391	392
Retained earnings	<u>65,397</u>	<u>60,019</u>
Total shareholders' equity	<u>67,828</u>	<u>62,450</u>
Total liabilities and shareholders' equity	<u><u>\$78,344</u></u>	<u><u>\$71,186</u></u>

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

For Years Ended	<u>August 1, 2015</u>	<u>August 2, 2014</u>	<u>August 3, 2013</u>
Net revenues	\$108,673	\$103,629	\$97,071
Cost of revenues	<u>79,347</u>	<u>73,488</u>	<u>67,539</u>
Gross profit	29,326	30,141	29,532
Selling, general and administrative expenses	<u>19,025</u>	<u>18,660</u>	<u>18,005</u>
Operating profit	10,301	11,481	11,527
Other income	324	311	204
Interest expense	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>
Earnings before income taxes	10,623	11,789	11,729
Provision for income taxes	<u>3,982</u>	<u>4,241</u>	<u>4,231</u>
Net earnings	<u><u>\$6,641</u></u>	<u><u>\$7,548</u></u>	<u><u>\$7,498</u></u>
Earnings per common share:			
Earnings per common share:			
Basic earnings per share:			
Class A	\$3.77	\$4.18	\$4.54
Class B	0.52	0.48	0.77
Diluted earnings per share:			
Class A	3.17	3.51	3.79
Class B	NA	NA	NA
Weighted average number of common shares outstanding:			
Class A	2,038,645	2,038,469	2,035,034
Class B	391,879	392,055	399,878
Total	<u><u>2,430,524</u></u>	<u><u>2,430,524</u></u>	<u><u>2,434,912</u></u>

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

For Years Ended	August 1, 2015	August 2, 2014	August 3, 2013
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Net earnings	\$6,641	\$7,548	\$7,498
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	785	748	686
Amortization of bond premiums	3	10	11
(Gain) loss on sale of assets	0	(40)	(282)
Deferred income taxes	(75)	87	(441)
Changes in operating assets and liabilities:			
Accounts receivable, net	(2,208)	1,966	(3,612)
Inventories	(3,469)	758	(3,474)
Prepaid expenses and other assets	21	(85)	(87)
Accounts payable	1,821	(276)	681
Accrued employee benefits	(171)	91	549
Accrued payroll and payroll taxes	64	(48)	206
Income tax receivable/payable	816	(1,012)	283
Other	89	64	(347)
Net cash provided by operating activities	<u>4,317</u>	<u>9,811</u>	<u>1,671</u>
 Cash Flows from Investing Activities:			
Proceeds from sale of assets	0	87	390
Proceeds from maturing bond	0	0	75
Purchase of land for investment	(9)	(7)	(59)
Capital expenditures	(3,380)	(650)	(891)
Purchase of securities	75	0	0
Net cash used in investing activities	<u>(3,183)</u>	<u>0</u>	<u>(1,044)</u>
	<u>(6,497)</u>	<u>(570)</u>	<u>(1,529)</u>
 Cash Flows from Financing Activities:			
Purchase of common stock			
Issuance of common stock	0	0	(161)
Dividends paid	0	0	5
Net cash used in financing activities	<u>(1,263)</u>	<u>(1,165)</u>	<u>(2,056)</u>
	<u>(1,263)</u>	<u>(1,165)</u>	<u>(2,212)</u>
 Net (Decrease) Increase in Cash and Cash equivalents			
Cash and Cash Equivalents at Beginning of Year	(3,443)	8,076	(2,070)
Cash and Cash Equivalents at End of Year	18,880	10,804	12,874
	<u><u>\$15,437</u></u>	<u><u>\$18,880</u></u>	<u><u>\$10,804</u></u>