

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE FIRST QUARTER
OF FISCAL 2025

Mount Gilead, N.C. – December 17, 2024. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the first quarter of fiscal 2025 of \$28,702,000 as compared to \$32,826,000 for the first quarter of fiscal 2024. Net earnings for the first quarter of fiscal 2025 amounted to \$1,846,000, or \$0.82 per diluted Class A common share as compared to \$3,222,000, or \$1.43 per diluted Class A common share, for the first quarter of fiscal 2024.

FIRST QUARTER FISCAL 2025 COMPARED TO FIRST QUARTER FISCAL 2024

Consolidated net revenues totaled \$28.7 million for the first quarter of fiscal 2025 as compared to \$32.8 million for the first quarter of fiscal 2024. Sales related to our western/lifestyle boot products for the first quarter of fiscal 2025 totaled \$21.0 million as compared to \$22.0 million for the first quarter of fiscal 2024. This 5% decrease was the result of a decrease in Dan Post, Laredo, and Eldorado sales, offset by an increase in Dingo sales. Revenues from our work boot products decreased approximately 15%, from \$9.4 million for the first quarter of fiscal 2024 to \$8.0 million for the first quarter of fiscal 2025. This decrease was seen across all brands, including Dan Post and Laredo work boots, as well as our military combat boots.

Consolidated gross profit for the first quarter of fiscal 2025 amounted to approximately \$8.3 million as compared to \$9.9 million for the first quarter of fiscal 2024. Gross profit as a percentage of net revenues remained relatively consistent at 29.0% for the first quarter of fiscal 2025 as compared to 30.2% for the first quarter of fiscal 2024. Gross profit was positively affected by \$1.6 million from the sale of real estate held for investment in the first quarter of fiscal 2024.

Consolidated selling, general and administrative (“SG&A”) expenses increased from approximately \$6.0 million for the first quarter of fiscal 2024 to approximately \$6.5 million for the first quarter of fiscal 2025. This increase was primarily driven by marketing expenses.

As a result of the above, the consolidated operating profit for the first quarter of fiscal 2025 amounted to \$1.8 million as compared to \$3.9 million for the first quarter of fiscal 2024.

Financial Condition and Liquidity

Our financial condition remained strong at November 2, 2024 as cash and cash equivalents totaled \$22.7 million as compared to \$20.7 million at August 3, 2024. Our working capital increased from \$75.0 million at August 3, 2024 to \$78.6 million at November 2, 2024.

We currently have two lines of credit totaling \$6.75 million, all of which were fully available at November 2, 2024. 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 2025 amounted to \$1.2 million. Net earnings, adjusted for depreciation and other non-cash items, contributed approximately \$1.7 million of cash. Accounts receivable and accrued income taxes provided approximately \$3.1 million. Inventory used approximately \$4.0 million of cash.

Net cash used in investing activities for the first quarter of fiscal 2025 totaled approximately \$1.1 million primarily due to \$1.0 million in security purchases, offset by \$2.0 million in security sales.

Net cash used in financing activities for the first quarter of fiscal 2025 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 2025.

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)

	<u>November 2,</u> <u>2024</u>	<u>August 3,</u> <u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$22,708	\$20,723
Equity investments	8,214	8,112
Debt securities	10,181	9,232
Accounts receivable, net	17,735	20,179
Inventories, net	27,819	23,788
Income tax receivable	-	268
Prepaid expenses and other current assets	<u>602</u>	<u>226</u>
Total current assets	<u>87,259</u>	<u>82,528</u>
Property and equipment, net	<u>5,092</u>	<u>5,171</u>
Other assets:		
Deposits	14	14
Right to Use Asset	2,002	2,137
Real estate held for investment	2,793	2,793
Debt securities	9,159	11,075
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>16,792</u>	<u>18,843</u>
Total assets	<u><u>\$109,143</u></u>	<u><u>\$106,542</u></u>

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

	<u>November 2,</u> <u>2024</u>	<u>August 3,</u> <u>2024</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$4,014	\$3,692
Accrued employee benefits	1,737	1,399
Accrued payroll and payroll taxes	886	866
Lease liability	548	548
Income tax payable	409	-
Other	<u>1,093</u>	<u>976</u>
Total current liabilities	<u>8,687</u>	<u>7,481</u>
Lease liability	1,454	1,589
Deferred tax liabilities	<u>407</u>	<u>407</u>
Total liabilities	<u>10,548</u>	<u>9,477</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,896,334 and 1,896,334 shares, respectively	1,896	1,896
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 363,826 and 363,826 shares, respectively	364	364
Retained earnings	<u>96,335</u>	<u>94,805</u>
Total shareholders' equity	<u>98,595</u>	<u>97,065</u>
Total liabilities and shareholders' equity	<u><u>\$109,143</u></u>	<u><u>\$106,542</u></u>

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

	Three Months Ended	
	November 2, 2024	October 28, 2023
Net revenues	\$28,702	\$32,826
Cost of revenues	<u>20,365</u>	<u>22,917</u>
Gross profit	8,337	9,909
Selling, general and administrative expenses	<u>6,529</u>	<u>6,003</u>
Operating profit	1,808	3,906
Other income	<u>728</u>	<u>64</u>
Earnings before income taxes	2,536	3,970
Provision for income taxes	<u>690</u>	<u>748</u>
Net earnings	<u><u>\$1,846</u></u>	<u><u>\$3,222</u></u>
Earnings per common share:		
Diluted earnings per share:		
Class A	0.82	1.43
Class B	NA	NA
Weighted average number of common shares outstanding:		
Class A	1,896,334	1,896,219
Class B	<u>363,826</u>	<u>363,941</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 Comprehensive Income (Loss)	Retained Earnings
	Class A		Class B			
	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

	Common Stock, \$1 par value				Accumulated Other Comprehensive Income (Loss)	Retained Earnings
	Class A		Class B			
	Shares	Amount	Shares	Amount		
Balance, August 3, 2024	1,896,334	\$1,897	363,826	\$363	\$0	\$94,805
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						1,846
Balance, November 2, 2024	1,896,334	\$1,897	363,826	\$363	\$0	\$96,335

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

	Three Months Ended	
	November 2, 2024	October 28, 2023
Cash Flows from Operating Activities:		
Net earnings	\$1,846	\$3,222
Adjustments to reconcile net earnings to net cash used in operating activities	(619)	3,928
Net cash used in operating activities	1,227	7,150
Cash Flows from Investing Activities:		
Proceeds from sale of land	260	1,660
Capital expenditures	(134)	(78)
Purchase of securities	(1,025)	(8,926)
Proceeds from sale of securities	1,973	6,182
Net cash provided by investing activities	1,074	(1,162)
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	1,985	5,672
Cash and Cash Equivalents at Beginning of Year	20,723	18,329
Cash and Cash Equivalents at End of Period	\$22,708	\$24,001