

**McRAE INDUSTRIES, INC.**  
**REPORTS EARNINGS FOR THE FIRST QUARTER**  
**OF FISCAL 2026**

**Mount Gilead, N.C. – December 16, 2025. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB)** reported consolidated net revenues for the first quarter of fiscal 2026 of \$31,203,000 as compared to \$28,702,000 for the first quarter of fiscal 2025. Net earnings for the first quarter of fiscal 2026 amounted to \$1,449,000, or \$0.64 per diluted Class A common share as compared to \$1,846,000, or \$0.82 per diluted Class A common share, for the first quarter of fiscal 2025.

**FIRST QUARTER FISCAL 2026 COMPARED TO FIRST QUARTER FISCAL 2025**

Consolidated net revenues totaled \$31.2 million for the first quarter of fiscal 2026 as compared to \$28.7 million for the first quarter of fiscal 2025. Sales related to our western/lifestyle boot products for the first quarter of fiscal 2026 totaled \$22.6 million as compared to \$21.0 million for the first quarter of fiscal 2025. This 8% increase was mainly the result of an increase in Laredo and Dingo sales, offset by a decrease in El Dorado sales. Revenues from our work boot products increased approximately 10%, from \$8.0 million for the first quarter of fiscal 2025 to \$8.8 million for the first quarter of fiscal 2026. This increase was mainly a result of increased military combat boot sales.

Consolidated gross profit for the first quarter of fiscal 2026 amounted to approximately \$7.9 million as compared to \$8.3 million for the first quarter of fiscal 2025. Gross profit as a percentage of net revenues decreased from 29.0% for the first quarter of fiscal 2025 to 25.4% for the first quarter of fiscal 2026. Gross profit was negatively impacted by the high number of closeout boots sold in the quarter. Additionally, tariffs began to significantly impact our margins during the quarter, as approximately 33% of our western boot products come from India. We will continue to consider means to mitigate the impact of increased tariff rates, including by seeking alternative sourcing of our products and by negotiating with our suppliers to absorb a portion of increased costs due to changes in tariff rates and trade policy; however, we cannot provide any assurances that we will be successful in such efforts. Based on current information, we expect the impact of tariffs to significantly affect our earnings through at least the third quarter of Fiscal 2026.

Consolidated selling, general and administrative (“SG&A”) expenses increased slightly from approximately \$6.5 million for the first quarter of fiscal 2025 to approximately \$6.7 million for the first quarter of fiscal 2026. This increase was primarily driven by selling and marketing expenses, as well as professional services fees.

As a result of the above, the consolidated operating profit for the first quarter of fiscal 2026 amounted to \$1.2 million as compared to \$1.8 million for the first quarter of fiscal 2025.

During the first quarter, McRae Industries received two contract awards for military combat boots.

On August 25, 2025, McRae Industries received a contract award from the United States Government DLA Troops Support for the Army hot weather improved boot. This award was for a 42-month ordering period beginning August 25, 2025, with the first delivery 15 months from this date. The maximum dollar value of this award is \$28,807,476.

On December 1, 2025, McRae Industries received a three-year contract award from the Government of Israel Military of Defense for military combat boots. This award has a first delivery date of no later than March 1, 2026 and totals approximately \$27,610,941.

## **Financial Condition and Liquidity**

Our financial condition remained strong at November 1, 2025 as cash and cash equivalents totaled \$26.7 million as compared to \$31.6 million at August 2, 2025. Our working capital decreased slightly from \$85.9 million at August 2, 2025 to \$85.3 million at November 1, 2025.

We currently have two lines of credit totaling \$6.75 million, all of which were fully available at November 1, 2025. 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 2026. Our \$5.0 million line of credit, which also expires in January 2026, 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 2026 amounted to \$1.3 million. Net earnings, adjusted for depreciation and other non-cash items, contributed approximately \$1.3 million of cash. Inventory and accrued liabilities provided approximately \$3.4 million. Accounts receivable and prepaid assets used approximately \$3.5 million of cash.

Net cash used in investing activities for the first quarter of fiscal 2026 totaled approximately \$5.8 million primarily due to \$7.7 million in purchases of securities, offset by \$2.0 million in sales of securities.

Net cash used in financing activities for the first quarter of fiscal 2026 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 2026.

## **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 impact of higher tariff rates on our gross margins in future quarters; 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>November 1, 2025</u>	<u>August 2, 2025</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$26,725	\$31,593
Equity investments	9,065	8,730
Debt securities	10,669	6,786
Accounts receivable, net	19,464	17,836
Inventories, net	22,288	24,599
Income tax receivable	119	639
Prepaid expenses and other current assets	<u>3440</u>	<u>1611</u>
Total current assets	<u>91,770</u>	<u>91,794</u>
Property and equipment, net	<u>5,245</u>	<u>5,274</u>
Other assets:		
Deposits	14	14
Right to Use Asset	1,449	1,589
Real estate held for investment	2,311	2,311
Debt securities	6,829	5,032
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>13,427</u>	<u>11,770</u>
Total assets	<u><u>\$110,442</u></u>	<u><u>\$108,838</u></u>

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

	<u>November 1, 2025</u>	<u>August 2, 2025</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$2,320	\$2,093
Accrued employee benefits	1,424	1,232
Accrued payroll and payroll taxes	951	823
Lease liability	555	555
Other	<u>1,207</u>	<u>1,143</u>
Total current liabilities	<u>6,457</u>	<u>5,846</u>
Lease liability	894	1,034
Deferred tax liabilities	<u>382</u>	<u>382</u>
Total liabilities	<u>7,733</u>	<u>7,262</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,892,793 and 1,892,793 shares, respectively	1,893	1,893
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 362,977 and 362,977 shares, respectively	363	363
Retained earnings	<u>100,453</u>	<u>99,320</u>
Total shareholders' equity	<u>102,709</u>	<u>101,576</u>
Total liabilities and shareholders' equity	<u><u>\$110,442</u></u>	<u><u>\$108,838</u></u>

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

	<b>Three Months Ended</b>	
	<b>November 1, 2025</b>	<b>November 2, 2024</b>
Net revenues	\$31,203	\$28,702
Cost of revenues	23,270	20,365
Gross profit	7,933	8,337
Selling, general and administrative expenses	6,742	6,529
Operating profit	1,191	1,808
Other income	782	728
Earnings before income taxes	1,973	2,536
Provision for income taxes	524	690
Net earnings	<u>\$1,449</u>	<u>\$1,846</u>
Earnings per common share:		
Diluted earnings per share:		
Class A	0.64	0.82
Class B	NA	NA
Weighted average number of common shares outstanding:		
Class A	1,892,793	1,896,334
Class B	362,977	363,826
Total	<u>2,255,770</u>	<u>2,260,160</u>

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

	Common Stock, \$1 par value				Accumulated Other	Retained Earnings
	Class A		Class B		Comprehensive	
	Shares	Amount	Shares	Amount	Income (Loss)	
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						1,449
Balance, November 2, 2024	1,896,334	\$1,897	363,826	\$363	\$0	\$95,938

	Common Stock, \$1 par value				Accumulated Other	Retained Earnings
	Class A		Class B		Comprehensive	
	Shares	Amount	Shares	Amount	Income (Loss)	
Balance, August 2, 2025	1,892,793	\$1,893	362,977	\$362	\$0	\$99,320
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						1,449
Balance, November 1, 2025	1,892,793	\$1,893	362,977	\$362	\$0	\$100,453

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

	<b>Three Months Ended</b>	
	<b>November 1, 2025</b>	<b>November 2, 2024</b>
	<hr/>	<hr/>
Cash Flows from Operating Activities:		
Net earnings	\$1,449	\$1,846
Adjustments to reconcile net earnings to net cash used in operating activities	<hr/> (183)	<hr/> (619)
Net cash used in operating activities	<hr/> 1,266	<hr/> 1,227
Cash Flows from Investing Activities:		
Proceeds from sale of land	-	260
Capital expenditures	(150)	(134)
Purchase of securities	(7,672)	(1,025)
Proceeds from sale of securities	<hr/> 2,004	<hr/> 1,973
Net cash provided by investing activities	<hr/> (5,818)	<hr/> 1,074
Cash Flows from Financing Activities:		
Dividends paid	<hr/> (316)	<hr/> (316)
Net cash used in financing activities	<hr/> (316)	<hr/> (316)
Net (Decrease) Increase in Cash and Cash equivalents	(4,868)	1,985
Cash and Cash Equivalents at Beginning of Year	<hr/> 31,593	<hr/> 20,723
Cash and Cash Equivalents at End of Period	<hr/> <hr/> \$26,725	<hr/> <hr/> \$22,708