

**McRAE INDUSTRIES, INC.**  
**REPORTS EARNINGS FOR THE SECOND QUARTER AND**  
**FIRST SIX MONTHS OF FISCAL 2024**

**Mount Gilead, N.C. – March 21, 2024. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB)** reported consolidated net revenues for the second quarter of fiscal 2024 of \$25,815,000 as compared to \$30,769,000 for the second quarter of fiscal 2023. Net earnings for the second quarter of fiscal 2024 amounted to \$1,636,000, or \$.72 per diluted Class A common share as compared to \$1,729,000, or \$0.76 per diluted Class A common share, for the second quarter of fiscal 2023.

Consolidated net revenues for the first six months of fiscal 2024 totaled \$58,641,000 as compared to \$64,552,000 for the first six months of fiscal 2023. Net earnings for the first six months of fiscal 2024 amounted to \$4,858,000, or \$2.15 per diluted Class A common share, as compared to net earnings of \$4,586,000, or \$2.02 per diluted Class A common share, for the first six months of fiscal 2023.

**SECOND QUARTER FISCAL 2024 COMPARED TO SECOND QUARTER FISCAL 2023**

Consolidated net revenues totaled \$25.8 million for the second quarter of fiscal 2024 as compared to \$30.8 million for the second quarter of fiscal 2023. Sales related to our western/lifestyle boot products for the second quarter of fiscal 2024 totaled \$18.2 million as compared to \$22.8 million for the second quarter of fiscal 2023. This decrease in net revenues was spread across several western product lines and offset by an increase in our Dingo fashion brand. Revenues from our work boot products decreased from \$8.2 million for the second quarter of fiscal 2023 to \$7.8 million for the second quarter of fiscal 2024. This was primarily a result of decreased sales for our Dan Post work boots.

Consolidated gross profit for the second quarter of fiscal 2024 amounted to approximately \$7.0 million as compared to \$8.0 million for the second quarter of fiscal 2023. However, gross profit as a percentage of net revenues was up from 25.9% for the second quarter of fiscal 2023 to 27.1% for the second quarter of fiscal 2024. This is primarily because of increased margins on military boot sales driven by increased efficiency in our manufacturing facility, as well as newer military boot contracts with updated pricing.

Consolidated selling, general and administrative expenses totaled approximately \$5.6 million for the second quarter of fiscal 2024 as compared to \$6.1 million for the second quarter of fiscal 2023. This decrease resulted primarily from decreased sales commissions.

As a result of the above, the consolidated operating profit for the second quarter of fiscal 2024 amounted to \$1.4 million as compared to \$1.8 million for the second quarter of fiscal 2023.

**FIRST SIX MONTHS FISCAL 2024 COMPARED TO FIRST SIX MONTHS FISCAL 2023**

Consolidated net revenues for the first six months of fiscal 2024 totaled \$58.6 million as compared to \$64.6 million for the first six months of fiscal 2023. Our western and lifestyle product sales totaled \$40.2 million for the first six months of fiscal 2024 as compared to \$49.5 million for the first six months of fiscal 2023. While demand for the Laredo, Dan Post, and Eldorado brands has softened, we also missed some sales during the first six months of our fiscal year due to inventory shortages on select styles. Net revenues from our work boot business increased from \$15.1 million for the first six months of fiscal 2023 to \$17.2 million for the first six months of fiscal 2024. This was primarily a result of increased military boot sales.

Consolidated gross profit totaled \$16.9 million, or 28.8%, for the first six months of fiscal 2024 as compared to \$18.3 million, or 28.3%, for the first six months of fiscal 2023. This is primarily due to the improved margins on military boot sales as discussed above.

Consolidated selling, general and administrative expenses totaled approximately \$11.6 million for the first six months of fiscal 2024 as compared to \$12.2 million for the first six months of fiscal 2023. This decrease is mainly attributable to lower commissions because of the decrease in sales.

As a result of the above, the consolidated operating profit amounted to \$5.3 million for the first six months of fiscal 2024 as compared to \$6.1 million for the first six months of fiscal 2023.

On December 23, 2023, the company, through our affiliate American Mortgage and Investment Company and wholly owned subsidiary Hoke Development Company, signed a purchase sale agreement to sell approximately 262 acres in Berkeley Country Club located in Berkeley County, South Carolina to Berkeley Conservation Group LLC. The terms of the agreement provide for a sales price of \$2,650,000 and a maximum due diligence period of 180 days prior to closing.

### **Financial Condition and Liquidity**

Our financial condition remained strong as cash and cash equivalents remained consistent at \$18.3 million for January 27, 2024 and July 29, 2023. Our working capital increased from \$75.8 million at July 29, 2023 to \$79.0 million at January 27, 2024.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at January 27, 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.

For the first six months of fiscal 2024, operating activities provided approximately \$8.4 million of cash. Net earnings contributed approximately \$4.8 million of cash. Adjustments to reconcile net earnings to net cash provided in operating activities totaled approximately \$3.6 million. These adjustments were driven significantly by decreased inventory and accounts receivable.

Net cash used by investing activities totaled approximately \$6.5 million, primarily due to the purchase and sale of securities.

Net cash used in financing activities totaled \$2.0 million, which was used primarily 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: uncertainties associated with COVID-19 or coronavirus, including its possible effects on our operations, supply chain, and the demand for our products and services, our ability to complete the sale of our properties under contract for sale, 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>January 27,<br/>2024</u> | <u>July 29,<br/>2023</u> |
|---|-----------------------------|--------------------------|
| <b>ASSETS</b>                             |                             |                          |
| Current assets:                           |                             |                          |
| Cash and cash equivalents                 | \$18,274                    | \$18,329                 |
| Equity investments                        | 6,713                       | 6,459                    |
| Debt securities                           | 23,531                      | 15,047                   |
| Accounts receivable, net                  | 16,170                      | 19,880                   |
| Inventories, net                          | 19,797                      | 21,914                   |
| Income tax receivable                     | 138                         | 370                      |
| Prepaid expenses and other current assets | <u>598</u>                  | <u>317</u>               |
| Total current assets                      | <u>85,221</u>               | <u>82,316</u>            |
| Property and equipment, net               | <u>4,734</u>                | <u>4,917</u>             |
| Other assets:                             |                             |                          |
| Deposits                                  | 13                          | 14                       |
| Right to Use Asset                        | 2,136                       | 2,362                    |
| Real estate held for investment           | 2,848                       | 3,036                    |
| Trademarks                                | <u>2,824</u>                | <u>2,824</u>             |
| Total other assets                        | <u>7,821</u>                | <u>8,236</u>             |
| Total assets                              | <u><u>\$97,776</u></u>      | <u><u>\$95,469</u></u>   |

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

|  | <u>January 27,<br/>2024</u> | <u>July 29,<br/>2023</u> |
|--|-----------------------------|--------------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                             |                          |
| Current liabilities:   |                             |                          |
| Accounts payable   | \$3,301                     | \$2,122                  |
| Accrued employee benefits  | 566                         | 1,783                    |
| Accrued payroll and payroll taxes  | 948                         | 1,293                    |
| Lease liability  | 429                         | 429                      |
| Other  | <u>945</u>                  | <u>878</u>               |
| Total current liabilities  | <u>6,189</u>                | <u>6,505</u>             |
| Lease liability  | 1,707                       | 1,933                    |
| Deferred tax liabilities   | <u>114</u>                  | <u>114</u>               |
| Total liabilities  | <u>8,010</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>87,506</u>               | <u>84,657</u>            |
| Total shareholders' equity   | <u>89,766</u>               | <u>86,917</u>            |
| Total liabilities and shareholders' equity   | <u><u>\$97,776</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      |                         | Six Months Ended        |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | January 27,<br>2024     | January 28,<br>2023     | January 27,<br>2024     | January 28,<br>2023     |
| Net revenues  | \$25,815                | \$30,769                | \$58,641                | \$64,552                |
| Cost of revenues                                      | <u>18,816</u>           | <u>22,788</u>           | <u>41,733</u>           | <u>46,277</u>           |
| Gross profit  | 6,999                   | 7,981                   | 16,908                  | 18,275                  |
| Selling, general and administrative expenses          | <u>5,580</u>            | <u>6,134</u>            | <u>11,583</u>           | <u>12,180</u>           |
| Operating profit                                      | 1,419                   | 1,847                   | 5,325                   | 6,095                   |
| Other income  | <u>852</u>              | <u>456</u>              | <u>916</u>              | <u>267</u>              |
| Earnings before income taxes                          | 2,271                   | 2,303                   | 6,241                   | 6,362                   |
| Provision for income taxes                            | <u>635</u>              | <u>574</u>              | <u>1,383</u>            | <u>1,776</u>            |
| Net earnings  | <u><u>\$1,636</u></u>   | <u><u>\$1,729</u></u>   | <u><u>\$4,858</u></u>   | <u><u>\$4,586</u></u>   |
| Earnings per common share:                            |                         |                         |                         |                         |
| Diluted earnings per share:                           |                         |                         |                         |                         |
| Class A   | 0.72                    | 0.76                    | 2.15                    | 2.03                    |
| Class B   | NA                      | NA                      | NA                      | NA                      |
| Weighted average number of common shares outstanding: |                         |                         |                         |                         |
| Class A   | 1,896,334               | 1,895,062               | 1,896,277               | 1,895,049               |
| Class B   | <u>363,826</u>          | <u>365,098</u>          | <u>363,883</u>          | <u>365,111</u>          |
| Total   | <u><u>2,260,160</u></u> | <u><u>2,260,160</u></u> | <u><u>2,260,160</u></u> | <u><u>2,260,160</u></u> |



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

|   | <b>Six Months Ended</b>     |                             |
|---|-----------------------------|-----------------------------|
|   | <b>January 27,<br/>2024</b> | <b>January 28,<br/>2023</b> |
| Cash Flows from Operating Activities:   |                             |                             |
| Net earnings  | \$4,858                     | \$4,586                     |
| Adjustments to reconcile net earnings to net cash used<br>in operating activities | 3,584                       | (1,960)                     |
| Net cash provided by operating activities   | 8,442                       | 2,626                       |
| Cash Flows from Investing Activities:   |                             |                             |
| Proceeds from sale of land  | 1,985                       | -                           |
| Capital expenditures  | (143)                       | (594)                       |
| Purchase of securities  | (19,011)                    | (246)                       |
| Proceeds from sale of securities  | 10,681                      | 10                          |
| Net cash used in investing activities   | (6,488)                     | (830)                       |
| Cash Flows from Financing Activities:   |                             |                             |
| Dividends paid  | (2,009)                     | (1,761)                     |
| Net cash used in financing activities   | (2,009)                     | (1,761)                     |
| Net (Decrease) Increase in Cash and Cash equivalents                              | (55)                        | 35                          |
| Cash and Cash Equivalents at Beginning of Year                                    | 18,329                      | 15,315                      |
| Cash and Cash Equivalents at End of Period  | \$18,274                    | \$15,350                    |