

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND
FIRST SIX MONTHS OF FISCAL 2026

Mount Gilead, N.C. – March 17, 2026. McRae Industries, Inc. (Pink: MCRAA and MCRAB) reported consolidated net revenues for the second quarter of fiscal 2026 of \$27,948,000 as compared to \$27,548,000 for the second quarter of fiscal 2025. Net earnings for the second quarter of fiscal 2026 amounted to \$956,000, or \$0.42 per diluted Class A common share as compared to \$1,053,000, or \$0.47 per diluted Class A common share, for the second quarter of fiscal 2025.

Consolidated net revenues for the first six months of fiscal 2026 totaled \$59,151,000 as compared to \$56,250,000 for the first six months of fiscal 2025. Net earnings for the first six months of fiscal 2026 amounted to \$2,404,000, or \$1.07 per diluted Class A common share, as compared to net earnings of \$2,899,000, or \$1.28 per diluted Class A common share, for the first six months of fiscal 2025.

SECOND QUARTER FISCAL 2026 COMPARED TO SECOND QUARTER FISCAL 2025

Consolidated net revenues totaled \$27.9 million for the second quarter of fiscal 2026 as compared to \$27.5 million for the second quarter of fiscal 2025. Sales related to our western/lifestyle boot products for the second quarter of fiscal 2026 totaled \$21.4 million as compared to \$20.4 million for the second quarter of fiscal 2025. This increase in net revenues was attributed to the Dan Post and Dingo brands. Revenues from our work boot products decreased from \$7.5 million for the second quarter of fiscal 2025 to \$6.7 million for the second quarter of fiscal 2026. This was a result of decreased sales for all work boots, which includes our military boots.

Consolidated gross profit for the second quarter of fiscal 2026 amounted to approximately \$7.3 million, or 26.2%, as compared to \$7.1 million, or 25.9%, for the second quarter of fiscal 2025.

Consolidated selling, general and administrative expenses totaled approximately \$6.7 million for the second quarter of fiscal 2026 as compared to \$6.4 million for the second quarter of fiscal 2025. This increase resulted primarily from increased marketing expenses.

As a result of the above, the consolidated operating profit for both the second quarter of fiscal 2026 and fiscal 2025 amounted to approximately \$0.7 million.

FIRST SIX MONTHS FISCAL 2026 COMPARED TO FIRST SIX MONTHS FISCAL 2025

Consolidated net revenues for the first six months of fiscal 2026 totaled \$59.2 million as compared to \$56.3 million for the first six months of fiscal 2025. Our western and lifestyle product sales totaled \$44.0 million for the first six months of fiscal 2026 as compared to \$41.4 million for the first six months of fiscal 2025. This increase was a result of increased sales in the Dan Post and Dingo brands, offset by decreased sales in the Laredo and El Dorado brands. Net revenues from our work boot business slightly decreased from \$15.5 million for the first six months of fiscal 2025 to \$15.4 million for the first six months of fiscal 2026. There was a decrease in our Dan Post and Laredo work boot product lines, which was offset by an increase in our military boot sales.

Consolidated gross profit totaled \$15.3 million, or 25.8%, for the first six months of fiscal 2026 as compared to \$15.5 million, or 27.5%, for the first six months of fiscal 2025. As mentioned in our first quarter release, tariffs have significantly impacted our margins in this fiscal year. Based on current information, we expect

the tariff impact to decrease in the second half of the year. Alternatively, our military boot operation profitability may be negatively impacted in the third quarter due to the installation of new manufacturing equipment.

Consolidated selling, general and administrative expenses totaled approximately \$13.4 million for the first six months of fiscal 2026 as compared to \$12.9 million for the first six months of fiscal 2025. This increase resulted primarily from increased sales commissions and marketing expenses.

As a result of the above, the consolidated operating profit amounted to \$1.9 million for the first six months of fiscal 2026 as compared to \$2.6 million for the first six months of fiscal 2025.

Financial Condition and Liquidity

Our financial condition remained strong at January 31, 2026 as cash and cash equivalents totaled \$29.9 million as compared to \$31.6 million at August 2, 2025. Our working capital decreased from \$85.9 million at August 2, 2025 to \$81.6 million at January 31, 2026.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at January 31, 2026. 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 2027. Our \$5.0 million line of credit, which also expires in January 2027, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

For the first six months of fiscal 2026, operating activities provided approximately \$3.6 million of cash. Net earnings contributed approximately \$2.4 million of cash. Adjustments to reconcile net earnings to net cash used in operating activities totaled approximately \$1.2 million. These adjustments were driven significantly by decreased inventory and offset by increased prepaid expenses.

Net cash used in investing activities totaled approximately \$4.0 million, primarily due to the purchase and sale of securities.

Net cash used in financing activities totaled \$1.3 million, which was used primarily for dividend payments.

The Board of Directors of the Company has approved the repurchase of up to \$700,000 of shares of McRae A Common Stock or McRae B Common Stock. Repurchases of shares of common stock under the stock repurchase program will be made in the open market and in accordance with applicable securities laws. The stock repurchase program does not obligate the Company to acquire any particular amount of common stock, and it may be suspended or terminated at any time at the Company's discretion.

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>January 31,</u> <u>2026</u>	<u>August 2,</u> <u>2025</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$29,895	\$31,593
Equity investments	9,251	8,730
Debt securities	4,963	6,786
Accounts receivable, net	17,656	17,836
Inventories, net	21,429	24,599
Income tax receivable	676	639
Prepaid expenses and other current assets	<u>3,772</u>	<u>1,611</u>
Total current assets	<u>87,641</u>	<u>91,794</u>
Property and equipment, net	<u>5,428</u>	<u>5,274</u>
Other assets:		
Deposits	4	14
Right to Use Asset	1,312	1,589
Real estate held for investment	2,311	2,311
Debt securities	10,413	5,032
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>16,863</u>	<u>11,770</u>
Total assets	<u><u>\$109,932</u></u>	<u><u>\$108,838</u></u>

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

	<u>January 31, 2026</u>	<u>August 2, 2025</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,274	\$2,093
Accrued employee benefits	397	1,232
Accrued payroll and payroll taxes	662	823
Lease liability	555	555
Other	<u>1,187</u>	<u>1,143</u>
Total current liabilities	<u>6,075</u>	<u>5,846</u>
Lease liability	757	1,034
Deferred tax liabilities	<u>382</u>	<u>382</u>
Total liabilities	<u>7,214</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>100,462</u>	<u>99,320</u>
Total shareholders' equity	<u>102,718</u>	<u>101,576</u>
Total liabilities and shareholders' equity	<u><u>\$109,932</u></u>	<u><u>\$108,838</u></u>

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

	Three Months Ended		Six Months Ended	
	January 31, 2026	February 1, 2025	January 31, 2026	February 1, 2025
Net revenues	\$27,948	\$27,548	\$59,151	\$56,250
Cost of revenues	<u>20,628</u>	<u>20,417</u>	<u>43,900</u>	<u>40,782</u>
Gross profit	7,320	7,131	15,251	15,468
Selling, general and administrative expenses	<u>6,652</u>	<u>6,382</u>	<u>13,394</u>	<u>12,911</u>
Operating profit	668	749	1,857	2,557
Other income	<u>659</u>	<u>734</u>	<u>1,442</u>	<u>1,462</u>
Earnings before income taxes	1,327	1,483	3,299	4,019
Provision for income taxes	<u>371</u>	<u>430</u>	<u>895</u>	<u>1,120</u>
Net earnings	<u><u>\$956</u></u>	<u><u>\$1,053</u></u>	<u><u>\$2,404</u></u>	<u><u>\$2,899</u></u>
Earnings per common share:				
Diluted earnings per share:				
Class A	0.42	0.47	1.07	1.28
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,892,793	1,896,334	1,892,793	1,896,334
Class B	<u>362,977</u>	<u>363,826</u>	<u>362,977</u>	<u>363,826</u>
Total	<u><u>2,255,770</u></u>	<u><u>2,260,160</u></u>	<u><u>2,255,770</u></u>	<u><u>2,260,160</u></u>

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

	Six Months Ended	
	January 31, 2026	February 1, 2025
Cash Flows from Operating Activities:		
Net earnings	\$2,404	\$2,899
Adjustments to reconcile net earnings to net cash used in operating activities	1,182	(3,472)
Net cash provided in operating activities	3,586	(573)
Cash Flows from Investing Activities:		
Proceeds from sale of land	-	50
Proceeds from sale of fixed assets	-	263
Capital expenditures	(516)	(275)
Purchase of securities	(7,514)	(1,112)
Proceeds from sale of securities	4,008	5,973
Net cash used in investing activities	(4,022)	4,899
Cash Flows from Financing Activities:		
Dividends paid	(1,262)	(2,213)
Net cash used in financing activities	(1,262)	(2,213)
Net (Decrease) Increase in Cash and Cash equivalents	(1,698)	2,113
Cash and Cash Equivalents at Beginning of Year	31,593	20,723
Cash and Cash Equivalents at End of Period	\$29,895	\$22,836