

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND
FIRST SIX MONTHS OF FISCAL 2025

Mount Gilead, N.C. – March 17, 2025. McRae Industries, Inc. (Pink: MCRAA and MCRAB) reported consolidated net revenues for the second quarter of fiscal 2025 of \$27,548,000 as compared to \$25,815,000 for the second quarter of fiscal 2024. Net earnings for the second quarter of fiscal 2025 amounted to \$1,053,000, or \$0.47 per diluted Class A common share as compared to \$1,636,000, or \$0.72 per diluted Class A common share, for the second quarter of fiscal 2024.

Consolidated net revenues for the first six months of fiscal 2025 totaled \$56,250,000 as compared to \$58,641,000 for the first six months of fiscal 2024. Net earnings for the first six months of fiscal 2025 amounted to \$2,899,000, or \$1.28 per diluted Class A common share, as compared to net earnings of \$4,858,000, or \$2.15 per diluted Class A common share, for the first six months of fiscal 2024.

SECOND QUARTER FISCAL 2025 COMPARED TO SECOND QUARTER FISCAL 2024

Consolidated net revenues totaled \$27.5 million for the second quarter of fiscal 2025 as compared to \$25.8 million for the second quarter of fiscal 2024. Sales related to our western/lifestyle boot products for the second quarter of fiscal 2025 totaled \$20.4 million as compared to \$18.2 million for the second quarter of fiscal 2024. This increase in net revenues was spread across several western product lines, namely the Dan Post and Laredo brands. Revenues from our work boot products decreased from \$7.8 million for the second quarter of fiscal 2024 to \$7.5 million for the second quarter of fiscal 2025. This was primarily a result of decreased sales for our Dan Post work boots.

Consolidated gross profit for the second quarter of fiscal 2025 amounted to approximately \$7.1 million as compared to \$7.0 million for the second quarter of fiscal 2024. However, gross profit as a percentage of net revenues was down from 27.1% for the second quarter of fiscal 2024 to 25.9% for the second quarter of fiscal 2025. This is primarily because of decreased margins on military boot sales due to inefficiencies in the manufacturing facility in the second quarter.

Consolidated selling, general and administrative expenses totaled approximately \$6.4 million for the second quarter of fiscal 2025 as compared to \$5.6 million for the second quarter of fiscal 2024. This increase resulted primarily from increased sales commissions and marketing expenses.

As a result of the above, the consolidated operating profit for the second quarter of fiscal 2025 amounted to \$0.7 million as compared to \$1.4 million for the second quarter of fiscal 2024.

FIRST SIX MONTHS FISCAL 2025 COMPARED TO FIRST SIX MONTHS FISCAL 2024

Consolidated net revenues for the first six months of fiscal 2025 totaled \$56.3 million as compared to \$58.6 million for the first six months of fiscal 2024. Our western and lifestyle product sales totaled \$41.4 million for the first six months of fiscal 2025 as compared to \$40.2 million for the first six months of fiscal 2024. 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 decreased from \$17.2 million for the first six months of fiscal 2024 to \$15.5 million for the first six months of fiscal 2025. This decrease was spread across all work boot product lines.

Consolidated gross profit totaled \$15.5 million, or 27.5%, for the first six months of fiscal 2025 as compared to \$16.9 million, or 28.8%, for the first six months of fiscal 2024. This is primarily due to the fact that the 2024 gross profit was positively affected by the sale of real estate held for investment.

Consolidated selling, general and administrative expenses totaled approximately \$12.9 million for the first six months of fiscal 2025 as compared to \$11.6 million for the first six months of fiscal 2024. This increase resulted primarily from increased sales commissions and marketing expenses.

As a result of the above, the consolidated operating profit amounted to \$2.6 million for the first six months of fiscal 2025 as compared to \$5.3 million for the first six months of fiscal 2024.

Financial Condition and Liquidity

Our financial condition remained strong at February 1, 2025 as cash and cash equivalents totaled \$22.8 million as compared to \$20.7 million at August 3, 2024. Our working capital increased from \$75.0 million at August 3, 2024 to \$79.6 million at February 1, 2025.

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

For the first six months of fiscal 2025, operating activities used approximately \$0.6 million of cash. Net earnings contributed approximately \$2.9 million of cash. Adjustments to reconcile net earnings to net cash used in operating activities totaled approximately \$3.5 million. These adjustments were driven significantly by increased inventory and offset by decreased accounts receivable.

Net cash provided by investing activities totaled approximately \$4.9 million, primarily due to the purchase and sale of securities.

Net cash used in financing activities totaled \$2.2 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 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: 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>February 1, 2025</u>	<u>August 3, 2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$22,836	\$20,723
Equity investments	8,446	8,112
Debt securities	8,174	9,232
Accounts receivable, net	16,546	20,179
Inventories, net	28,355	23,788
Income tax receivable	427	268
Prepaid expenses and other current assets	<u>1,378</u>	<u>226</u>
Total current assets	<u>86,162</u>	<u>82,528</u>
Property and equipment, net	<u>5,054</u>	<u>5,171</u>
Other assets:		
Deposits	14	14
Right to Use Asset	1,865	2,137
Real estate held for investment	2,793	2,793
Debt securities	7,293	11,075
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>14,789</u>	<u>18,843</u>
Total assets	<u><u>\$106,005</u></u>	<u><u>\$106,542</u></u>

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

	<u>February 1, 2025</u>	<u>August 3, 2024</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,717	\$3,692
Accrued employee benefits	527	1,399
Accrued payroll and payroll taxes	694	866
Lease liability	548	548
Income tax payable	-	-
Other	<u>1,043</u>	<u>976</u>
Total current liabilities	<u>6,529</u>	<u>7,481</u>
Lease liability	1,317	1,589
Deferred tax liabilities	<u>407</u>	<u>407</u>
Total liabilities	<u>8,253</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>95,492</u>	<u>94,805</u>
Total shareholders' equity	<u>97,752</u>	<u>97,065</u>
Total liabilities and shareholders' equity	<u><u>\$106,005</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		Six Months Ended	
	February 1, 2025	January 27, 2024	February 1, 2025	January 27, 2024
Net revenues	\$27,548	\$25,815	\$56,250	\$58,641
Cost of revenues	<u>20,417</u>	<u>18,816</u>	<u>40,782</u>	<u>41,733</u>
Gross profit	7,131	6,999	15,468	16,908
Selling, general and administrative expenses	<u>6,382</u>	<u>5,580</u>	<u>12,911</u>	<u>11,583</u>
Operating profit	749	1,419	2,557	5,325
Other income	<u>734</u>	<u>852</u>	<u>1,462</u>	<u>916</u>
Earnings before income taxes	1,483	2,271	4,019	6,241
Provision for income taxes	<u>430</u>	<u>635</u>	<u>1,120</u>	<u>1,383</u>
Net earnings	<u><u>\$1,053</u></u>	<u><u>\$1,636</u></u>	<u><u>\$2,899</u></u>	<u><u>\$4,858</u></u>
Earnings per common share:				
Diluted earnings per share:				
Class A	0.47	0.72	1.28	2.15
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,896,334	1,896,334	1,896,334	1,896,277
Class B	<u>363,826</u>	<u>363,826</u>	<u>363,826</u>	<u>363,883</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)

	Six Months Ended	
	February 1, 2025	January 27, 2024
Cash Flows from Operating Activities:		
Net earnings	\$2,899	\$4,858
Adjustments to reconcile net earnings to net cash used in operating activities	(3,472)	3,584
Net cash used in operating activities	(573)	8,442
Cash Flows from Investing Activities:		
Proceeds from sale of land	50	1,985
Proceeds from sale of fixed assets	263	-
Capital expenditures	(275)	(143)
Purchase of securities	(1,112)	(19,011)
Proceeds from sale of securities	5,973	10,681
Net cash provided by investing activities	4,899	(6,488)
Cash Flows from Financing Activities:		
Dividends paid	(2,213)	(2,009)
Net cash used in financing activities	(2,213)	(2,009)
Net (Decrease) Increase in Cash and Cash equivalents	2,113	(55)
Cash and Cash Equivalents at Beginning of Year	20,723	18,329
Cash and Cash Equivalents at End of Period	\$22,836	\$18,274