

**McRAE INDUSTRIES, INC.**  
**REPORTS EARNINGS FOR THE THIRD QUARTER AND**  
**FIRST NINE MONTHS OF FISCAL 2026**

**Mount Gilead, N.C. – June 15, 2026. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB)** reported consolidated net revenues for the third quarter of fiscal 2026 of \$27,418,000 as compared to \$30,870,000 for the third quarter of fiscal 2025. Net earnings for the third quarter of fiscal 2026 amounted to \$858,000, or \$0.38 per diluted Class A common share, as compared to \$3,160,000, or \$1.40 per diluted Class A common share, for the third quarter of fiscal 2025.

Consolidated net revenues for the first nine months of fiscal 2026 totaled \$86,569,000 as compared to \$87,120,000 for the first nine months of fiscal 2025. Net earnings for the first nine months of fiscal 2026 amounted to \$3,262,000, or \$1.45 per diluted Class A common share, as compared to net earnings of \$6,059,000, or \$2.68 per diluted Class A common share, for the first nine months of fiscal 2025.

**THIRD QUARTER FISCAL 2026 COMPARED TO THIRD QUARTER FISCAL 2025**

Consolidated net revenues totaled \$27.4 million for the third quarter of fiscal 2026 as compared to \$30.9 million for the third quarter of fiscal 2025. Sales related to our western/lifestyle boot products for the third quarter of fiscal 2026 totaled \$19.7 million as compared to \$20.2 million for the third quarter of fiscal 2025. This decrease in net revenues was mainly driven by a decrease in our Laredo brand. Revenues from our work boot products decreased from \$8.7 million for the third quarter of fiscal 2025 to \$7.9 million for the third quarter of fiscal 2026. This was primarily a result of decreased orders on military boots. Additionally, third quarter revenues for fiscal 2025 included \$2.0 million in land sales through our affiliate American Mortgage Investment Company (AMIC).

Consolidated gross profit for the third quarter of fiscal 2026 amounted to approximately \$6.9 million as compared to \$9.8 million for the third quarter of fiscal 2025. Gross profit, as a percentage of net revenues, decreased from 31.7% for the third quarter of fiscal 2025 to 25.2% for the third quarter of fiscal 2026. Gross profit in the prior year was positively affected by \$1.6 million from the land sale mentioned above. Our margins have also been negatively impacted by tariffs, as we paid \$0.8 million in the third quarter for tariffs. Based on current information, we are seeking a refund for these tariff costs (as well as tariff costs for prior periods) but there can be no assurance we will receive any such refunds.

Consolidated selling, general and administrative expenses totaled approximately \$6.1 million for the third quarter of fiscal 2026 as compared to \$6.3 million for the third quarter of fiscal 2025. This decrease resulted primarily from decreased commissions, offset by an increase in marketing expenses.

As a result of the above, the consolidated operating profit for the third quarter of fiscal 2026 amounted to \$0.8 million as compared to \$3.5 million for the third quarter of fiscal 2025.

**FIRST NINE MONTHS FISCAL 2026 COMPARED TO FIRST NINE MONTHS FISCAL 2025**

Consolidated net revenues for the first nine months of fiscal 2026 totaled \$86.6 million as compared to \$87.1 million for the first nine months of fiscal 2025. Our western and lifestyle product sales totaled \$63.8 million for the first nine months of fiscal 2026 as compared to \$61.6 million for the first nine months of fiscal 2025. This increase in net revenues was driven by an increase in our Dan Post and Dingo brands,

offset by a decrease in our Laredo and El Dorado brands. Net revenues from our work boot business decreased from \$24.2 million for the first nine months of fiscal 2025 to \$23.3 million for the first nine months of fiscal 2026. This decrease was in our Dan Post and Laredo work brands.

Consolidated gross profit totaled \$22.1 million, or 25.6%, for the first nine months of fiscal 2026 as compared to \$25.3 million, or 29.0%, for the first nine months of fiscal 2025. This decrease was not only driven by the land sale mentioned above, but also \$3.0 million in tariffs paid in this fiscal year. Based on current information, we are seeking a refund for these tariff costs (as well as tariff costs for prior periods) but there can be no assurance we will receive any such refunds.

Consolidated selling, general and administrative expenses totaled approximately \$19.5 million for the first nine months of fiscal 2026 as compared to \$19.2 million for the first nine months of fiscal 2025. This increase resulted primarily from increased marketing expenses.

As a result of the above, the consolidated operating profit amounted to \$2.6 million for the first nine months of fiscal 2026 as compared to \$6.1 million for the first nine months of fiscal 2025.

On April 29<sup>th</sup>, 2026, McRae Industries, Inc. received a contract award from The United States Government DLA Troops Support for Airforce temperate weather boots. This contract has a 36 month ordering period with first delivery no later than 150 days from contract award. The estimated dollar amount for the award is \$15,441,664.

### **Financial Condition and Liquidity**

Our financial condition remained strong at May 2, 2026 as cash and cash equivalents totaled \$20.6 million as compared to \$31.6 million at August 2, 2025. Our working capital decreased from \$85.9 million at August 2, 2025 to \$72.5 million at May 2, 2026.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at May 2, 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 nine months of fiscal 2026, operating activities provided approximately \$4.5 million of cash. Net earnings, as adjusted for depreciation and other non-cash items, contributed approximately \$3.2 million of cash. Increased accounts receivable and decreased employee benefits liabilities used approximately \$2.0 million of cash. Decreased accounts payable and other assets provided approximately \$2.5 million of cash.

Net cash used by investing activities totaled approximately \$13.6 million, primarily due to the purchase of fixed assets and securities, offset by the sale of securities.

Net cash used in financing activities totaled \$1.8 million, which was used primarily for dividend payments and the repurchase of stock.

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 effect of competitive products and pricing, the potential impact of tariffs on our business, uncertainties concerning the tariff refund program announced in March 2026, 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>May 2, 2026</u>	<u>August 2, 2025</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$20,634	\$31,593
Equity investments	9,383	8,730
Debt securities	4,963	6,786
Accounts receivable, net	18,945	17,836
Inventories, net	24,325	24,599
Income tax receivable	350	639
Prepaid expenses and other current assets	<u>577</u>	<u>1,611</u>
Total current assets	<u>79,178</u>	<u>91,794</u>
Property and equipment, net	<u>8,824</u>	<u>5,274</u>
Other assets:		
Deposits	3	14
Right to Use Asset	1,174	1,589
Real estate held for investment	2,321	2,311
Debt securities	16,327	5,032
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>22,648</u>	<u>11,770</u>
Total assets	<u><u>\$110,650</u></u>	<u><u>\$108,838</u></u>

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**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)  
(Unaudited)

	<u>May 2, 2026</u>	<u>August 2, 2025</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$3,577	\$2,093
Accrued employee benefits	548	1,232
Accrued payroll and payroll taxes	973	823
Lease liability	555	555
Other	<u>980</u>	<u>1,143</u>
Total current liabilities	<u>6,633</u>	<u>5,846</u>
Lease liability	619	1,034
Deferred tax liabilities	<u>382</u>	<u>382</u>
Total liabilities	<u>7,634</u>	<u>7,262</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,888,332 and 1,892,793 shares, respectively	1,888	1,893
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 361,904 and 362,977 shares, respectively	362	363
Retained earnings	<u>100,766</u>	<u>99,320</u>
Total shareholders' equity	<u>103,016</u>	<u>101,576</u>
Total liabilities and shareholders' equity	<u><u>\$110,650</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>Nine Months Ended</b>	
	<b>May 2, 2026</b>	<b>May 3, 2025</b>	<b>May 2, 2026</b>	<b>May 3, 2025</b>
Net revenues	\$27,418	\$30,870	\$86,569	\$87,120
Cost of revenues	<u>20,520</u>	<u>21,077</u>	<u>64,420</u>	<u>61,859</u>
Gross profit	6,898	9,793	22,149	25,261
Selling, general and administrative expenses	<u>6,114</u>	<u>6,279</u>	<u>19,508</u>	<u>19,190</u>
Operating profit	784	3,514	2,641	6,071
Other income	<u>427</u>	<u>271</u>	<u>1,869</u>	<u>1,733</u>
Earnings before income taxes	1,211	3,785	4,510	7,804
Provision for income taxes	<u>353</u>	<u>625</u>	<u>1,248</u>	<u>1,745</u>
Net earnings	<u><u>\$858</u></u>	<u><u>\$3,160</u></u>	<u><u>\$3,262</u></u>	<u><u>\$6,059</u></u>
Earnings per common share:				
Diluted earnings per share:				
Class A	0.38	1.40	1.45	2.68
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,892,499	1,895,011	1,892,695	1,895,893
Class B	<u>362,906</u>	<u>363,509</u>	<u>362,953</u>	<u>363,720</u>
Total	<u><u>2,255,405</u></u>	<u><u>2,258,520</u></u>	<u><u>2,255,648</u></u>	<u><u>2,259,613</u></u>



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

	<b>Nine Months Ended</b>	
	<b>May 2, 2026</b>	<b>May 3, 2025</b>
<b>Cash Flows from Operating Activities:</b>		
Net earnings	\$3,262	\$6,059
Adjustments to reconcile net earnings to net cash used in operating activities	1,214	(3,810)
Net cash provided in operating activities	4,476	2,249
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of land	-	2,010
Purchase of land	(10)	-
Proceeds from sale of fixed assets	-	263
Capital expenditures	(4,125)	(669)
Purchase of securities	(14,079)	(2,216)
Proceeds from sale of securities	4,600	9,509
Net cash used in investing activities	(13,614)	8,897
<b>Cash Flows from Financing Activities:</b>		
Repurchase company stock	(243)	(219)
Dividends paid	(1,578)	(2,529)
Net cash used in financing activities	(1,821)	(2,748)
Net (Decrease) Increase in Cash and Cash equivalents	(10,959)	8,398
Cash and Cash Equivalents at Beginning of Year	31,593	20,723
Cash and Cash Equivalents at End of Period	\$20,634	\$29,121