

**McRAE INDUSTRIES, INC.**  
**REPORTS EARNINGS FOR THE THIRD QUARTER AND**  
**FIRST NINE MONTHS OF FISCAL 2022**

**Mount Gilead, N.C. – June 21, 2022. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB)** reported consolidated net revenues for the third quarter of fiscal 2022 of \$32,771,000 as compared to \$21,580,000 for the third quarter of fiscal 2021. Net earnings for the third quarter of fiscal 2022 amounted to \$2,547,000, or \$1.13 per diluted Class A common share as compared to net earnings of \$1,197,000, or \$0.52 per diluted Class A common share, for the third quarter of fiscal 2021.

Consolidated net revenues for the first nine months of fiscal 2022 totaled \$91,786,000 as compared to \$60,758,000 for the first nine months of fiscal 2021. Net earnings for the first nine months of fiscal 2022 amounted to \$7,306,000, or \$3.23 per diluted Class A common share, as compared to net earnings of \$2,419,000, or \$1.05 per diluted Class A common share, for the first nine months of fiscal 2021.

**THIRD QUARTER FISCAL 2022 COMPARED TO THIRD QUARTER FISCAL 2021**

Consolidated net revenues totaled \$32.8 million for the third quarter of fiscal 2022 as compared to \$21.6 million for the third quarter of fiscal 2021. Sales related to our western/lifestyle boot products for the third quarter of fiscal 2022 totaled \$24.2 million as compared to \$14.6 million for the third quarter of fiscal 2021. This 66% increase in net revenues was a result of increases across the board for all product lines, as we continue to see growth in the marketplace for western/lifestyle boots. Revenues from our work boot products increased approximately 16%, from \$7.0 million for the third quarter of fiscal 2021 to \$8.1 million for the third quarter of fiscal 2022. This was primarily a result of increased production of our military boots, as well as an increase in our Dan Post work boot sales.

Consolidated gross profit for the third quarter of fiscal 2022 amounted to approximately \$9.7 million as compared to \$5.9 million for the third quarter of fiscal 2021. Gross profit, as a percentage of net revenues, was up from 27.5% for the third quarter of fiscal 2021 to 29.5% for the third quarter of fiscal 2022. This is primarily due to our lower margin military boot sales making up a smaller percentage of total sales.

Consolidated selling, general and administrative expenses totaled approximately \$5.8 million for the third quarter of fiscal 2022 as compared to \$4.4 million for the third quarter of fiscal 2021. This increase resulted primarily from increased commissions, advertising, and employee benefit expenses.

As a result of the above, the consolidated operating profit for the third quarter of fiscal 2022 amounted to \$3.8 million as compared to operating profit of \$1.5 million for the third quarter of fiscal 2021.

**FIRST NINE MONTHS FISCAL 2022 COMPARED TO FIRST NINE MONTHS FISCAL 2021**

Consolidated net revenues for the first nine months of fiscal 2022 totaled \$91.8 million as compared to \$60.8 million for the first nine months of fiscal 2021. Our western and lifestyle product sales totaled \$67.5 million for the first nine months of fiscal 2022 as compared to \$40.3 million for the first nine months of fiscal 2021, with the increase resulting from an increase in all product lines. Net revenues from our work boot business increased from \$20.5 million for the first nine months of fiscal 2021 to \$22.3 million for the first nine months of fiscal 2022. This increase was a result of increased production of our military boots, as well as an increase in our Dan Post work boot sales.

Consolidated gross profit totaled \$26.8 million for the first nine months of fiscal 2022 as compared to \$16.5 million for the first nine months of fiscal 2021. Gross profit attributable to our western and lifestyle products increased to \$23.9 million for the first nine months of fiscal 2022, as compared to \$14.5 million for the first nine months of fiscal 2021. Our work boot products gross profit increased from \$1.9 million for the first nine months of fiscal 2021 to \$2.4 million for the first nine months of fiscal 2022.

Consolidated selling, general and administrative expenses totaled approximately \$16.7 million for the first nine months of fiscal 2022 as compared to \$13.5 million for the first nine months of fiscal 2021. This increase resulted primarily from increased commissions, advertising, and employee benefit expenses.

As a result of the above, the consolidated operating profit amounted to \$10.1 million for the first nine months of fiscal 2022 as compared to \$3.0 million for the first nine months of fiscal 2021.

### **Financial Condition and Liquidity**

Our financial condition remained strong at April 30, 2022 as cash and cash equivalents totaled \$22.4 million as compared to \$23.5 million at July 31, 2021. Our working capital increased from \$58.0 million at July 31, 2021 to \$65.0 million at April 30, 2022.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at April 30, 2022. 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 2023. Our \$5.0 million line of credit, which also expires in January 2023, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

For the first nine months of fiscal 2022, operating activities provided approximately \$0.4 million of cash. Net earnings, as adjusted for depreciation and other non-cash items, contributed approximately \$8.3 million of cash. Increased inventory and accounts receivable used approximately \$9.0 million; while decreased liabilities provided approximately \$1.2 million.

Net cash used in investing activities totaled approximately \$0.6 million, primarily due to the sale of securities offset by the purchase of securities.

Net cash used in financing activities totaled \$0.9 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 2022.

### **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 held for investment that are under contract, 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>April 30,</u> <u>2022</u>	<u>July 31,</u> <u>2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$22,404	\$23,489
Equity investments	6,203	6,207
Debt securities	2,469	2,414
Accounts and notes receivable, net	21,372	16,382
Inventories, net	18,356	14,326
Prepaid expenses and other current assets	<u>370</u>	<u>323</u>
Total current assets	<u>71,174</u>	<u>63,141</u>
Property and equipment, net	<u>5,101</u>	<u>5,363</u>
Other assets:		
Deposits	14	14
Notes receivable	969	1,017
Real estate held for investment	3,036	3,238
Amounts due from split-dollar life insurance	2,288	2,288
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>9,131</u>	<u>9,381</u>
Total assets	<u><u>\$85,406</u></u>	<u><u>\$77,885</u></u>

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

	<u>April 30,</u> <u>2022</u>	<u>July 31,</u> <u>2021</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$2,846	\$2,714
Accrued employee benefits	1,568	660
Accrued payroll and payroll taxes	801	700
Income tax payable	118	236
Other	<u>867</u>	<u>795</u>
Total current liabilities	<u>6,200</u>	<u>5,105</u>
Deferred tax liabilities	<u>534</u>	<u>534</u>
Total liabilities	<u>6,734</u>	<u>5,639</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,894,435 and 1,893,423 shares, respectively	1,894	1,893
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 365,725 and 366,737 shares, respectively	366	367
Retained earnings	<u>76,412</u>	<u>69,986</u>
Total shareholders' equity	<u>78,672</u>	<u>72,246</u>
Total liabilities and shareholders' equity	<u><u>\$85,406</u></u>	<u><u>\$77,885</u></u>

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

	Three Months Ended		Nine Months Ended	
	April 30, 2022	May 1, 2021	April 30, 2022	May 1, 2021
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net revenues	\$32,771	\$21,580	\$91,786	\$60,758
Cost of revenues	<u>23,106</u>	<u>15,643</u>	<u>64,984</u>	<u>44,219</u>
Gross profit	9,665	5,937	26,802	16,539
Selling, general and administrative expenses	<u>5,847</u>	<u>4,425</u>	<u>16,705</u>	<u>13,544</u>
Operating profit	3,818	1,512	10,097	2,995
Other income (loss)	<u>(287)</u>	<u>163</u>	<u>(100)</u>	<u>454</u>
Earnings before income taxes	3,531	1,675	9,997	3,449
Provision for income taxes	<u>984</u>	<u>478</u>	<u>2,691</u>	<u>1,030</u>
Net earnings	<u><u>\$2,547</u></u>	<u><u>\$1,197</u></u>	<u><u>\$7,306</u></u>	<u><u>\$2,419</u></u>
Earnings per common share:				
Diluted earnings per share:				
Class A	1.13	0.52	3.23	1.05
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,893,705	1,919,003	1,893,538	1,934,149
Class B	<u>366,455</u>	<u>366,737</u>	<u>366,622</u>	<u>367,623</u>
Total	<u><u>2,260,160</u></u>	<u><u>2,285,740</u></u>	<u><u>2,260,160</u></u>	<u><u>2,301,772</u></u>

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

	Common Stock, \$1 par value				Accumulated Other Comprehensive Income (Loss)	Retained Earnings
	Class A		Class B			
	Shares	Amount	Shares	Amount		
<b>Balance, August 1, 2020</b>	1,957,142	\$1,957	373,233	\$373	\$0	\$69,487
Stock Buyback	(21,141)	(21)	(3,500)	(4)		(490)
Conversion of Class B to Class A Stock	2,300	2	(2,300)	(2)		-
Cash Dividend (\$0.13 per Class A common stock)						(253)
Cash Dividend (\$0.13 per Class B common stock)						(48)
Net earnings						494
<b>Balance, October 31, 2020</b>	1,938,301	\$1,938	367,433	\$367	\$0	\$69,190
Stock Buyback	(14,478)	(14)	(696)	0		(320)
Cash Dividend (\$0.13 per Class A common stock)						(252)
Cash Dividend (\$0.13 per Class B common stock)						(47)
Net earnings						728
<b>Balance, January 30, 2021</b>	1,923,823	\$1,924	366,737	\$367	\$0	\$69,299
Stock Buyback	(12,900)	(13)				(319)
Cash Dividend (\$0.13 per Class A common stock)						(250)
Cash Dividend (\$0.13 per Class B common stock)						(47)
Net earnings						1,197
<b>Balance, May 1, 2021</b>	1,910,923	\$1,911	366,737	\$367	\$0	\$69,880

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

	Common Stock, \$1 par value				Accumulated Other Comprehensive Income (Loss)	Retained Earnings
	Class A		Class B			
	Shares	Amount	Shares	Amount		
<b>Balance, July 31, 2021</b>	1,893,423	\$1,893	366,737	\$367	\$0	\$69,986
Cash Dividend (\$0.13 per Class A common stock)						(246)
Cash Dividend (\$0.13 per Class B common stock)						(47)
Net earnings						2,222
<b>Balance, October 30, 2021</b>	1,893,423	\$1,893	366,737	\$367	\$0	\$71,915
Conversion of Class B to Class A Stock	212	1	(212)	(1)		-
Cash Dividend (\$0.13 per Class A common stock)						(246)
Cash Dividend (\$0.13 per Class B common stock)						(47)
Net earnings						2,536
<b>Balance, January 29, 2022</b>	1,893,635	\$1,894	366,525	\$366	\$0	\$74,158
Conversion of Class B to Class A Stock	800	1	(800)	(1)		-
Cash Dividend (\$0.13 per Class A common stock)						(246)
Cash Dividend (\$0.13 per Class B common stock)						(47)
Net earnings						2,547
<b>Balance, April 30, 2022</b>	1,894,435	\$1,894	365,725	\$366	\$0	\$76,412

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

	<b>Nine Months Ended</b>	
	<b>April 30, 2022</b>	<b>May 1, 2021</b>
Cash Flows from Operating Activities:		
Net earnings	7,306	2,419
Adjustments to reconcile net earnings to net cash used in operating activities	(6,933)	(2,015)
Net cash used in operating activities	373	404
Cash Flows from Investing Activities:		
Proceeds from sale of assets	566	637
Purchase of land for investment	-	(160)
Capital expenditures	(504)	(250)
Purchase of securities	(3,556)	(6,522)
Proceeds from sale of securities	2,916	10,052
Net cash provided by investing activities	(578)	3,757
Cash Flows from Financing Activities:		
Repurchase company stock	-	(1,182)
Dividends paid	(880)	(898)
Net cash used in financing activities	(880)	(2,080)
Net (Decrease) Increase in Cash and Cash equivalents	(1,085)	2,081
Cash and Cash Equivalents at Beginning of Year	23,489	20,959
Cash and Cash Equivalents at End of Period	\$22,404	\$23,040