

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE THIRD QUARTER AND
FIRST NINE MONTHS OF FISCAL 2024

Mount Gilead, N.C. – June 12, 2024. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the third quarter of fiscal 2024 of \$29,436,000 as compared to \$31,508,000 for the third quarter of fiscal 2023. Net earnings for the third quarter of fiscal 2024 amounted to \$2,051,000, or \$0.91 per diluted Class A common share as compared to \$2,084,000, or \$0.92 per diluted Class A common share, for the third quarter of fiscal 2023.

Consolidated net revenues for the first nine months of fiscal 2024 totaled \$88,077,000 as compared to \$96,060,000 for the first nine months of fiscal 2023. Net earnings for the first nine months of fiscal 2024 amounted to \$6,909,000, or \$3.06 per diluted Class A common share, as compared to net earnings of \$6,670,000, or \$2.94 per diluted Class A common share, for the first nine months of fiscal 2023.

THIRD QUARTER FISCAL 2024 COMPARED TO THIRD QUARTER FISCAL 2023

Consolidated net revenues totaled \$29.4 million for the third quarter of fiscal 2024 as compared to \$31.5 million for the third quarter of fiscal 2023. Sales related to our western/lifestyle boot products for the third quarter of fiscal 2024 totaled \$18.9 million as compared to \$23.2 million for the third 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 increased from \$8.7 million for the third quarter of fiscal 2023 to \$10.9 million for the third quarter of fiscal 2024. This was primarily a result of increased military boot sales.

Consolidated gross profit for the third quarter of fiscal 2024 amounted to approximately \$8.0 million as compared to \$8.7 million for the third quarter of fiscal 2023. Gross profit, as a percentage of net revenues, remained relatively consistent at 27.7% for the third quarter of fiscal 2023 and 27.2% for the third quarter of fiscal 2024.

Consolidated selling, general and administrative expenses totaled approximately \$5.7 million for the third quarter of fiscal 2024 as compared to \$5.9 million for the third quarter of fiscal 2023. This decrease resulted primarily from decreased commissions and employee related expenses.

As a result of the above, the consolidated operating profit for the third quarter of fiscal 2024 amounted to \$2.3 million as compared to \$2.8 million for the third quarter of fiscal 2023.

FIRST NINE MONTHS FISCAL 2024 COMPARED TO FIRST NINE MONTHS FISCAL 2023

Consolidated net revenues for the first nine months of fiscal 2024 totaled \$88.1 million as compared to \$96.1 million for the first nine months of fiscal 2023. Our western and lifestyle product sales totaled \$59.1 million for the first nine months of fiscal 2024 as compared to \$72.7 million for the first nine months of fiscal 2023. Net revenues from our work boot business increased from \$23.8 million for the first nine months of fiscal 2023 to \$28.1 million for the first nine months of fiscal 2024. This was primarily a result of increased military boot sales offset by decreased Dan Post work boot sales.

Consolidated gross profit totaled \$24.9 million, or 28.3%, for the first nine months of fiscal 2024 as compared to \$27.0 million, or 28.1%, for the first nine months of fiscal 2023.

Consolidated selling, general and administrative expenses totaled approximately \$17.3 million for the first nine months of fiscal 2024 as compared to \$18.1 million for the first nine months of fiscal 2023. This decrease resulted primarily from decreased commissions and employee related expenses.

As a result of the above, the consolidated operating profit amounted to \$7.6 million for the first nine months of fiscal 2024 as compared to \$8.9 million for the first nine months of fiscal 2023.

On May 17, 2024, the company, through our affiliate American Mortgage and Investment Company and wholly owned subsidiary Hoke Development Company, closed on the sale of approximately 262 acres in Berkeley Country Club located in Berkeley County, South Carolina to Berkeley Conservation Group LLC for a sales price of \$2,650,000.

Financial Condition and Liquidity

Our financial condition remained strong at April 27, 2024 as cash and cash equivalents totaled \$19.6 million as compared to \$18.3 million at July 29, 2023. Our working capital increased from \$75.8 million at July 29, 2023 to \$80.1 million at April 27, 2024.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at April 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 nine months of fiscal 2024, operating activities provided approximately \$8.4 million of cash. Net earnings, as adjusted for depreciation and other non-cash items, contributed approximately \$5.0 million of cash. Increased employee benefits and other payables used approximately \$1.4 million of cash. Decreased accounts receivable and inventory provided approximately \$4.0 million of cash.

Net cash used by investing activities totaled approximately \$4.8 million, primarily due to the purchase of securities, offset by the sale of land and securities.

Net cash used in financing activities totaled \$2.3 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: 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 27, 2024</u>	<u>July 29, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$19,632	\$18,329
Equity investments	6,803	6,459
Debt securities	21,150	15,047
Accounts receivable, net	17,332	19,880
Inventories, net	20,492	21,914
Income tax receivable	19	370
Prepaid expenses and other current assets	<u>381</u>	<u>317</u>
Total current assets	<u>85,809</u>	<u>82,316</u>
Property and equipment, net	<u>5,182</u>	<u>4,917</u>
Other assets:		
Deposits	14	14
Right to Use Asset	2,031	2,362
Real estate held for investment	3,019	3,036
Trademarks	<u>2,824</u>	<u>2,824</u>
Total other assets	<u>7,888</u>	<u>8,236</u>
Total assets	<u><u>\$98,879</u></u>	<u><u>\$95,469</u></u>

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

	<u>April 27, 2024</u>	<u>July 29, 2023</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,575	\$2,122
Accrued employee benefits	756	1,783
Accrued payroll and payroll taxes	923	1,293
Lease liability	429	429
Other	<u>979</u>	<u>878</u>
Total current liabilities	<u>5,662</u>	<u>6,505</u>
Lease liability	1,602	1,933
Deferred tax liabilities	<u>114</u>	<u>114</u>
Total liabilities	<u>7,378</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>89,241</u>	<u>84,657</u>
Total shareholders' equity	<u>91,501</u>	<u>86,917</u>
Total liabilities and shareholders' equity	<u><u>\$98,879</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		Nine Months Ended	
	April 27, 2024	April 29, 2023	April 27, 2024	April 29, 2023
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net revenues	\$29,436	\$31,508	\$88,077	\$96,060
Cost of revenues	<u>21,427</u>	<u>22,769</u>	<u>63,160</u>	<u>69,046</u>
Gross profit	8,009	8,739	24,917	27,014
Selling, general and administrative expenses	<u>5,729</u>	<u>5,949</u>	<u>17,313</u>	<u>18,129</u>
Operating profit	2,280	2,790	7,604	8,885
Other income	<u>533</u>	<u>150</u>	<u>1,450</u>	<u>417</u>
Earnings before income taxes	2,813	2,940	9,054	9,302
Provision for income taxes	<u>762</u>	<u>856</u>	<u>2,145</u>	<u>2,632</u>
Net earnings	<u><u>\$2,051</u></u>	<u><u>\$2,084</u></u>	<u><u>\$6,909</u></u>	<u><u>\$6,670</u></u>
Earnings per common share:				
Diluted earnings per share:				
Class A	0.91	0.92	3.06	2.94
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,896,334	1,895,656	1,896,296	1,895,251
Class B	<u>363,826</u>	<u>364,504</u>	<u>363,864</u>	<u>364,909</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 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		
Balance, July 30, 2022	1,895,035	\$1,895	365,125	\$365	\$0	\$78,989
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						2,857
Balance, October 29, 2022	1,895,035	\$1,895	365,125	\$365	\$0	\$81,530
Conversion of Class B to Class A Stock	100	-	(100)	-		-
Cash Dividend (\$0.64 per Class A common stock)						(1,212)
Cash Dividend (\$0.64 per Class B common stock)						(233)
Net earnings						1,729
Balance, January 28, 2023	1,895,135	\$1,895	365,025	\$365	\$0	\$81,814
Conversion of Class B to Class A Stock	600	1	(600)	(1)		-
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						2,084
Balance, April 29, 2023	1,895,735	\$1,896	364,425	\$364	\$0	\$83,582

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		
Balance, July 29, 2023	1,895,949	\$1,896	364,211	\$364	\$0	\$84,657
Conversion of Class B to Class A Stock	385	-	(385)	-		
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						3,222
Balance, October 28, 2023	1,896,334	\$1,896	363,826	\$364	\$0	\$87,563
Cash Dividend (\$0.64 per Class A common stock)						(1,421)
Cash Dividend (\$0.64 per Class B common stock)						(272)
Net earnings						1,636
Balance, January 27, 2024	1,896,334	\$1,896	363,826	\$364	\$0	\$87,506
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						2,051
Balance, April 27, 2024	1,896,334	\$1,896	363,826	\$364	\$0	\$89,241

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

	Nine Months Ended	
	April 27, 2024	April 29, 2023
Cash Flows from Operating Activities:		
Net earnings	\$6,909	\$6,670
Adjustments to reconcile net earnings to net cash used in operating activities	1,509	(34)
Net cash provided by operating activities	8,418	6,636
Cash Flows from Investing Activities:		
Proceeds from sale of land	1,985	-
Capital expenditures	(937)	(702)
Purchase of securities	(21,519)	(10,608)
Proceeds from sale of securities	15,681	2,535
Net cash used in investing activities	(4,790)	(8,775)
Cash Flows from Financing Activities:		
Dividends paid	(2,325)	(2,077)
Net cash used in financing activities	(2,325)	(2,077)
Net (Decrease) Increase in Cash and Cash equivalents	1,303	(4,217)
Cash and Cash Equivalents at Beginning of Year	18,329	15,315
Cash and Cash Equivalents at End of Period	\$19,632	\$11,098