

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE THIRD QUARTER AND
FIRST NINE MONTHS OF FISCAL 2015

Mount Gilead, N.C. – June 17, 2015. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues from operations for the third quarter of fiscal 2015 of \$25,828,000 as compared to \$23,455,000 for the third quarter of fiscal 2014. Net earnings for the third quarter of fiscal 2015 amounted to \$1,209,000, or \$0.61 per diluted Class A common share as compared to \$1,223,000, or \$0.61 per diluted Class A common share, for the third quarter of fiscal 2014.

Consolidated net revenues from operations for the first nine months of fiscal 2015 totaled \$83,134,000 as compared to \$81,711,000 for the first nine months of fiscal 2014. Net earnings for the first nine months of fiscal 2015 amounted to \$5,013,000 or \$2.39 per diluted Class A common share, as compared to \$5,768,000, or \$2.67 per diluted Class A common share, for the first nine months of fiscal 2014.

THIRD QUARTER FISCAL 2015 COMPARED TO THIRD QUARTER FISCAL 2014

Consolidated net revenues for the third quarter of fiscal 2015 amounted to \$25.8 million as compared to \$23.5 million for the third quarter of fiscal 2014. Net revenues related to our western/lifestyle boot products totaled \$15.5 million for the third quarter of fiscal 2015, up from \$13.3 million for the third quarter of fiscal 2014. This 16% improvement in net revenue was attributable to higher sales in all of our brands except for a slight sales reduction in our children's line. Net revenues from our work boot products totaled \$10.3 million as compared to \$10.0 million for the third quarter of fiscal 2014 as military boot requirements for the U. S. Government remained strong and demand for our other work boot products remained steady.

Consolidated gross profit totaled approximately \$6.4 million for the third quarter of fiscal 2015 as compared to \$6.3 million for the third quarter of fiscal 2014. Gross profit margins for our western/lifestyle products remained steady at the 35% level. Our work boot business gross profit margins fell from 16.4 % for the third quarter of fiscal 2014 to 8.5% for the third quarter of fiscal 2015 primarily the result of higher per unit military boot manufacturing costs related to inefficiencies associated with a 25% increase in military boot production levels during the quarter. Our management team is focused on resolving the production issues as quickly as possible.

Consolidated operating costs and expenses for the third quarter of fiscal 2015 totaled \$4.4 million as compared to \$4.3 million for the third quarter of fiscal 2014. This slight increase in operating costs and expenses was primarily attributable to higher expenditures or charges for travel costs, sales and marketing expenditures, and administrative compensation, which were partially offset by lower sales compensation costs and bad debt charges.

As a result of the above, the consolidated operating earnings totaled \$2.0 million for the third quarter of both fiscal 2015 and fiscal 2014.

FIRST NINE MONTHS FISCAL 2015 COMPARED TO FIRST NINE MONTHS FISCAL 2014

Consolidated net revenues for the first nine months of fiscal 2015 amounted to \$83.1 million as compared to \$81.7 million for the first nine months of fiscal 2014. Net revenues related to our western/lifestyle boot products for the first nine months of fiscal 2015 amounted to approximately \$53.1 million as compared to \$53.2 million for the same nine month period of fiscal 2014. The work boot segment net revenues for the first nine months of fiscal 2015 totaled \$29.8 million, up from \$28.3 million for the first nine months of fiscal 2014 as increased military boot revenues from both our commercial and government businesses helped to offset a 3.5% decline in our other work boot products.

Consolidated gross profit for the first nine months of fiscal 2015 totaled \$22.5 million as compared to \$24.1 million for the first nine months of fiscal 2014. Gross profit attributable to our western/lifestyle boot products amounted to approximately \$18.6 million, down approximately \$500,000 from the previous nine month period of fiscal 2014, primarily attributable to higher overall import costs. Gross profit from our work boot business for the first nine months of fiscal 2015 totaled \$3.7 million as compared to \$4.8 million for the first nine months of fiscal 2014. This 23% decline in gross profit resulted primarily from the higher third quarter military boot manufacturing costs and inefficiencies described above.

Consolidated operating costs and expenses amounted to \$14.4 million for the first nine months of fiscal 2015 as compared to \$14.7 million for the first nine months of fiscal 2014. This decrease in consolidated operating costs and expenses was primarily attributable to reduced expenditures or charges for sales compensation related costs, group health insurance, bad debts and employee benefit charges, which were partially offset by higher outlays for professional fees, administrative wage payments and travel costs.

As a result of the above, the consolidated operating profit for the first nine months of fiscal 2015 totaled approximately \$8.1 million as compared to approximately \$9.4 million for the first nine months of fiscal 2014.

FINANCIAL CONDITION AND LIQUIDITY

The Company's financial condition remained strong as cash and cash equivalents totaled \$16.4 million at May 2, 2015 as compared to \$18.9 million at August 2, 2014. Working capital remained healthy at \$49.6 million at May 2, 2015, the same amount reported for August 2, 2014.

We currently maintain two lines of credit with a bank totaling \$6.75 million, all of which was available at May 2, 2015. Our credit line totaling \$1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the U. S. Government) and our \$5.0 million line of credit (which is secured by our western/work boot business accounts receivable and inventory) expire in January 2016.

We believe that our current cash and cash equivalents, cash generated from operations, and available lines of credit will be sufficient to meet our capital requirements for the remainder of fiscal 2015.

Operating activities for the first nine months of fiscal 2015 provided approximately \$3.6 million of cash. Net earnings as adjusted for depreciation, provided \$5.6 million of cash. Our trade accounts receivable used approximately \$1.4 million of cash primarily the result of seasonality dynamics associated with our western boot business. Increased inventory levels used approximately \$480,000, primarily attributable to higher demand for military boots remained strong. Net employee benefit payments used approximately \$511,000 of cash.

Investing activities used approximately \$5.2 million of cash. Capital expenditures for manufacturing equipment, building additions and improvements and a new enterprise resource system with related equipment, used approximately \$2.0 million of cash. Investments in marketable securities used approximately \$3.2 million of cash.

Financing activities used approximately \$947,000 of cash for dividend payments.

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, our ability to address manufacturing inefficiencies, 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. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectation or any change in events, conditions or circumstances on which any such statement is based.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	<u>May 2, 2015</u>	<u>August 2, 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,353	\$ 18,880
Marketable securities	575	76
Accounts and notes receivable, net	14,847	13,428
Inventories, net	22,767	22,288
Income tax receivable	1,426	1,620
Prepaid expenses and other current assets	406	553
Total current assets	<u>56,374</u>	<u>56,845</u>
Property and equipment, net	<u>4,663</u>	<u>3,222</u>
Other assets:		
Deposits	14	14
Marketable securities- long term	3,545	872
Real estate held for investment	3,594	3,585
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	<u>12,265</u>	<u>9,583</u>
Total assets	<u>\$ 73,302</u>	<u>\$ 69,650</u>

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

	<u>May 2, 2015</u>	<u>August 2, 2014</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	\$ 3,756	\$ 3,778
Accrued employee benefits	1,288	1,798
Accrued payroll and payroll taxes	1,214	1,161
Other	<u>530</u>	<u>463</u>
Total current liabilities	<u>6,788</u>	<u>7,200</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par; Authorized 5,000,000 shares; Issued and outstanding 2,038,543 shares and 2,038,543, respectively	2,039	2,039
Class B, \$1 par; Authorized 2,500,000 shares; Issued and outstanding 391,981 shares and 391,981, respectively	392	392
Retained earnings	<u>64,083</u>	<u>60,019</u>
Total shareholders' equity	<u>66,514</u>	<u>62,450</u>
Total liabilities and shareholders' equity	<u><u>\$ 73,302</u></u>	<u><u>\$ 69,650</u></u>

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

	Three Months Ended		Nine Months Ended	
	May 2, 2015	May 3, 2014	May 2, 2015	May 3, 2014
Net revenues	\$25,828	\$23,455	\$83,134	\$81,711
Cost of revenues	19,455	17,116	60,651	57,654
Gross profit	<u>6,373</u>	<u>6,339</u>	<u>22,483</u>	<u>24,057</u>
Less: Operating costs and expenses:				
Selling, general and administrative expenses	<u>4,424</u>	<u>4,338</u>	<u>14,386</u>	<u>14,654</u>
Earnings from operations	1,949	2,001	8,097	9,403
Other income	87	70	238	223
Interest expense	<u>0</u>	<u>(3)</u>	<u>0</u>	<u>(3)</u>
Earnings before income taxes	2,036	2,068	8,335	9,623
Provision for income taxes	<u>827</u>	<u>845</u>	<u>3,322</u>	<u>3,855</u>
Net earnings	<u><u>\$1,209</u></u>	<u><u>\$ 1,223</u></u>	<u><u>\$ 5,013</u></u>	<u><u>\$ 5,768</u></u>
Earnings per common share:				
Basic earnings per share:				
Class A	\$.72	\$.73	\$ 2.84	\$ 3.18
Class B	.13	.13	.39	.35
Diluted earnings per share:				
Class A	\$.61	\$.61	\$ 2.39	\$ 2.67
Class B	N/A	N/A	N/A	N/A
Weighted average number of Common shares outstanding:				
Class A	2,038,543	2,038,543	2,038,543	2,038,444
Class B	<u>391,981</u>	<u>391,981</u>	<u>391,981</u>	<u>392,080</u>
Total	<u><u>2,430,524</u></u>	<u><u>2,430,524</u></u>	<u><u>2,430,524</u></u>	<u><u>2,430,524</u></u>

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

	Nine Months Ended	
	May 2, 2015	May 3, 2014
Net cash provided by operating activities	\$ 3,618	\$7,026
Cash flows from investing activities:		
Proceeds from sales of assets	0	87
Purchase of land for investment	(9)	(3)
Purchase of securities	(3,175)	0
Capital expenditures	(2,014)	(447)
	(5,198)	(363)
Net cash used in investing activities		
Cash flows from financing activities:		
Issuance of company stock	0	0
Purchase of company stock	0	0
Dividends paid	(947)	(849)
	(947)	(849)
Net cash used in financing activities		
Net increase in cash and cash equivalents	(2,527)	5,814
Cash and cash equivalents at beginning of period	18,880	10,804
Cash and cash equivalents at end of period	\$ 16,353	\$ 16,618