

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) March 4, 2020

**Culp, Inc.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

1-12597

(Commission File Number)

56-1001967

(I.R.S. Employer  
Identification No.)

1823 Eastchester Drive  
High Point, North Carolina 27265

(Address of Principal Executive Offices)  
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former name or address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value \$0.05 per share	CULP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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This report and the exhibits attached hereto contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management’s expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “plan,” “project,” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, or future developments. There can be no assurance that the company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, suppliers, and the global economy, such as the coronavirus currently impacting China, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results, including without limitation possible additional future write-downs with respect to our home accessories segment in accordance with our policy described in our Form 10-Q filed with the Securities and Exchange Commission on December 13, 2019 for the quarterly period ended November 3, 2019. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 12, 2019 for the fiscal year ended April 28, 2019, and our subsequent periodic reports filed with the Securities and Exchange Commission.

## **Item 2.02 – Results of Operations and Financial Condition**

The information set forth in this Item 2.02 of this Current Report, and in Exhibits 99(a) and 99(b), is intended to be “furnished” under Item 2.02 of Form 8-K. Such information shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

On March 4, 2020, we issued a news release to announce our financial results for our third quarter and the nine months ended February 2, 2020. The news release is attached hereto as Exhibit 99(a).

Also, on March 4, 2020, we released a Financial Information Release containing additional financial information and disclosures about our third quarter and the nine months ended February 2, 2020. The Financial Information Release is attached hereto as Exhibit 99(b).

The news release and Financial Information Release contain adjusted income statement information, a non-GAAP performance measure that reconciles reported and projected income statement information with adjusted results, which exclude restructuring and related charges and credits as well as other non-recurring charges or credits associated with our business, and also exclude impairment charges and gains or losses recognized on changes in the fair value of contingent consideration arrangements (contingent earnout liability reversal). The company has included this adjusted information in order to show operational performance excluding the effects of impairment charges, gains or losses recognized on changes in the fair value of contingent consideration arrangements, and charges and credits, which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release and Financial Information Release. Management believes this presentation aids in the comparison of financial results among comparable financial periods. In addition, this information is used by management to make operational decisions about the company’s business and is used by the company as a financial goal for purposes of determining management incentive compensation. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for income calculated

in accordance with GAAP, as impairment charges, gains or losses recognized on changes in the fair value of contingent consideration arrangements, and restructuring and related charges and credits, as well as other non-recurring items, do have an effect on our financial performance.

The news release and Financial Information Release contain disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash provided by (used in) operating activities, less cash capital expenditures, less investment in unconsolidated joint venture, plus any proceeds from sales of property, plant, and equipment, less payments on vendor-financed capital expenditures, less the purchase of long-term investments associated with our Rabbi Trust, plus proceeds from the sale of long-term investments associated with our Rabbi Trust, and plus or minus the effects of exchange rate changes on cash and cash equivalents. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release and Financial Information Release. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases, dividends, and additions to cash and cash equivalents. We note, however, that not all of the company's free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment, and also for making decisions about dividend payments and share repurchases. For forward-looking non-GAAP information, the comparable GAAP and reconciling information is not available without unreasonable efforts, and its significance is similar to the significance of the historical information.

The news release and Financial Information Release contain disclosures about return on capital. The news release contains information for the entire company and the Financial Information Release contains information for both the entire company and for individual business segments. We now define return on capital as adjusted operating income (measured on a trailing twelve months basis and excluding certain non-recurring charges and credits, impairment charges, and gains or losses recognized on changes in the fair value of contingent consideration arrangements) divided by average capital employed (excluding goodwill and intangibles and obligations related to acquisitions at the divisional level only). Operating income excludes certain non-recurring charges, impairment charges, and gains or losses recognized on changes in the fair value of contingent consideration arrangements, and average capital employed is calculated over rolling five fiscal periods, depending on which quarter is being presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release and Financial Information Release. We believe return on capital is an accepted measure of earnings efficiency in relation to capital employed, but it is a non-GAAP performance measure that is not defined or calculated in the same manner by all companies. This measure should not be considered in isolation or as an alternative to net income or other performance measures, but we believe it provides useful information to investors by comparing the operating income we produce to the asset base used to generate that income. Also, operating income on a trailing twelve months basis does not necessarily indicate results that would be expected for the full fiscal year or for the following twelve months. We note that, particularly for return on capital measured at the segment level, not all assets and expenses are allocated to our operating segments, and there are assets and expenses at the corporate (unallocated) level that may provide support to a segment's operations and yet are not included in the assets and expenses used to calculate that segment's return on capital. Thus, the average return on capital for the company's segments will generally be different from the company's overall return on capital. Management uses return on capital to evaluate the company's earnings efficiency and the relative performance of its segments.

The Financial Information Release contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net income excluding tax expenses and net interest expense, as well as depreciation and amortization expense and stock-based compensation expense. This measure also excludes impairment charges, gains or losses recognized on changes in the fair value of contingent consideration arrangements, restructuring and related charges and credits, as well as other non-recurring charges and credits associated with our business. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the Financial Information Release. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest, income taxes, depreciation and amortization, and similar performance measures that exclude certain charges from earnings, are often used by investors and financial analysts in evaluating and comparing companies in our industry. We note, however, that such measures are not defined uniformly by various companies, with differing expenses being excluded from net income to calculate these performance measures. For this reason, Adjusted EBITDA should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP, nor should it be used for direct comparisons with similarly titled performance measures reported by other companies. Use of Adjusted EBITDA as an analytical tool has limitations in that this measure does not reflect all expenses that are necessary to fund and operate our business, including funds required to pay taxes, service our debt, and fund capital expenditures, among others. Management uses Adjusted EBITDA to help it analyze the company's earnings and operating performance, by excluding the effects of expenses that depend upon capital structure and debt level, tax provisions, and non-cash items such as depreciation, amortization and stock-based compensation expense that do not require immediate uses of cash.

**Item 9.01 (d) - Exhibits**

99(a) News Release dated March 4, 2020

99(b) Financial Information Release dated March 4, 2020

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CULP, INC.  
(Registrant)

By: /s/ Kenneth R. Bowling  
Chief Financial Officer  
(principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.  
Corporate Controller  
(principal accounting officer)

Dated: March 4, 2020

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>
<a href="#">99(a)</a>	<a href="#">News Release dated March 4, 2020</a>
<a href="#">99(b)</a>	<a href="#">Financial Information Release dated March 4, 2020</a>



# CULP

Investor Contact: Kenneth R. Bowling  
Chief Financial Officer  
336-881-5630

Media Contact: Teresa A. Huffman  
Senior Vice President, Human Resources  
336-889-5161

## CULP ANNOUNCES RESULTS FOR THIRD QUARTER FISCAL 2020

HIGH POINT, N.C. (March 4, 2020) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the third quarter ended February 2, 2020.

### Fiscal 2020 Third Quarter Highlights

- Net sales were \$72.0 million, down 6.8 percent over the prior year, with mattress fabrics sales down 7.4 percent, upholstery fabrics sales down 5.7 percent, and home accessories sales down 11.0 percent.
- Pre-tax loss (GAAP) for the third quarter of fiscal 2020 was \$5.1 million, compared with pre-tax income of \$4.3 million for the prior-year period.
- Pre-tax income (non-GAAP) for the third quarter of fiscal 2020 was \$2.4 million excluding a reversal of a \$6.1 million contingent earnout liability and non-cash impairment charges of \$13.6 million related to the home accessories division. Pre-tax income for the prior-year period was \$5.0 million excluding restructuring and related charges and credits and other non-recurring items resulting in a net charge of approximately \$769,000. (See reconciliation tables on page 9).
- The company's financial position reflected total cash and investments of \$34.8 million and outstanding borrowings totaling \$925,000 as of February 2, 2020, for a net cash position of \$33.9 million. (See summary of cash and investments table on page 8).
- The company announced a quarterly cash dividend of 10.5 cents per share, payable in April.
- The company repurchased 55,750 shares of Culp common stock during the third quarter of fiscal 2020, and subsequently repurchased an additional 86,746 shares through March 4, 2020, leaving approximately \$3.3 million available under the share repurchase program approved by the company's Board of Directors in September 2019. The Board has approved an increase in the authorization for the company to repurchase shares back up to a total of \$5.0 million.

### Financial Outlook

- The following expectations assume the coronavirus outbreak does not have a greater than anticipated impact on the company's operations, which may affect each of the company's divisions to varying levels. Currently, the company has not experienced significant disruption in its China operations or supply chain due to the virus. Management is monitoring the situation daily and following the company's global pandemic disease contingency plan to protect the company's workforce. However, if conditions relating to the virus worsen, the company's operations and supply chain, particularly in China, could face some disruption, and consumer confidence could be negatively affected.
- The projection for the fourth quarter of fiscal 2020 is for overall sales to be slightly up compared to the same period last year. Pre-tax income for the fourth quarter of fiscal 2020 is expected to be in the range of \$1.9 million to \$2.4 million. Pre-tax income for the fourth quarter of fiscal 2019 was \$1.5 million, which included a non-recurring charge of \$500,000. Excluding this non-recurring charge, pre-tax income for the fourth quarter of fiscal 2019 was \$2.0 million.
- Free cash flow for fiscal 2020 is expected to be moderately down compared to last year's results.

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### Third Quarter Fiscal 2020 Financial Results

For the third quarter ended February 2, 2020, net sales were \$72.0 million, compared with \$77.2 million a year ago. On a pre-tax basis, the company reported a loss of \$5.1 million, compared with pre-tax income of \$4.3 million for the prior-year period. As previously disclosed on February 18, 2020, the financial results for the third quarter of fiscal 2020 included a reversal of a \$6.1 million contingent earnout liability, as well as non-cash impairment charges of \$13.6 million related to the home accessories division, resulting in a non-cash net charge of \$7.6 million. Excluding this net charge, pre-tax income for the third quarter of fiscal 2020 was \$2.4 million. The financial results for the third quarter of fiscal 2019 included approximately \$769,000 in restructuring and related charges and credits and other non-recurring items, due mostly to the closure of the company's Anderson, South Carolina, production facility. Excluding this net charge, pre-tax income for the third quarter of fiscal 2019 was \$5.0 million.

The company reported a net loss attributable to Culp, Inc. shareholders of \$58,000, or \$0.00 per diluted share, for the third quarter of fiscal 2020, compared with net income of \$3.2 million, or \$0.25 per diluted share, for the third quarter of fiscal 2019. The results for the third quarter of fiscal 2020 include the net non-cash charges described above, and the results for the third quarter of fiscal 2019 include the restructuring and related charges and credits and other non-recurring items noted above.

The effective income tax rates for the third quarter (19.0%) and year-to-date period (142.8%) of fiscal 2020 reflect the significant decline in the company's projected annual consolidated taxable income, particularly in the U.S., and the mix of consolidated taxable income that is earned by the company's foreign operations located in China and Canada that have higher income rates in relation to the U.S. This current mix of taxable income has led to a significant increase in the effective income tax rate that is associated with the company's Global Intangible Low Taxed Income (GILTI) Tax, which represents a U.S. income tax on foreign earnings. Additionally, the company's effective income tax rate significantly increased due to the income tax effects of the asset impairments associated with the company's home accessories segment incurred during the third quarter that were attributable to non-controlling interest. Income taxes incurred in the U.S. on a cash basis for fiscal 2020 are expected to be minimal due to the projected utilization of the company's U.S. Federal net operating loss carryforwards and immediate expensing of U.S. capital expenditures.

With respect to the noted impact of the GILTI Tax on the company's effective income tax rate, the U.S. Treasury Department and IRS have issued proposed regulations that, if enacted, and if enacted as proposed, could provide the company with some relief from the GILTI Tax, subject to the timing of enactment. There is no guarantee that the proposed regulations will be enacted, or that there won't be changes to the final regulations that would reduce or eliminate the relief the company would otherwise benefit from under the proposed regulations.

Commenting on the results, Iv Culp, chief executive officer of Culp, Inc., said, "As previously announced, our results for the third quarter reflected lower than expected sales, particularly in our core business segments. While several external factors affected our results for the third quarter, we believe Culp is well positioned for the medium and long term. Our global platform is reactive and is a distinct competitive advantage for the company, providing the ability to quickly respond to changing market dynamics. We also benefit from significant synergies across our business segments that foster collaboration in product development and allow us to better serve our customers in all markets. Above all, we remain focused on innovation and creative designs in all our businesses, and we are confident in our product-driven strategy and ability to meet the changing demands of a diverse customer base.

"Throughout fiscal 2020, we have maintained our position as a trusted supplier of fabrics for a global marketplace. Importantly, we have the financial strength to support and execute our strategies and continue returning funds to our shareholders. We look forward to the opportunities ahead for the remainder of fiscal 2020 and beyond," said Culp.

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## Mattress Fabrics Segment

Mattress fabrics sales for the third quarter were \$33.1 million, down 7.4 percent compared with sales of \$35.7 million for the third quarter of fiscal 2019

“Our mattress fabrics sales were lower than anticipated for the third quarter of fiscal 2020, as we were pressured more than expected from holiday shutdowns and continued industry weakness for our legacy business customers,” said Sandy Brown, president of Culp’s mattress fabrics division. “Mattress covers have become an increasingly important part of our business and losing multiple productive weeks for our CLASS cover operations in Haiti and China caused a more significant impact when combined with softness in our legacy business. Also, the anti-dumping measures relating to low-priced mattress imports from China have not yet provided the relief expected for the domestic mattress industry.

“In spite of these challenges, we continue to manage our business with a relentless focus on creative designs, innovative products, and exceptional service. Our global platform supports these efforts with efficient production and distribution capabilities that provide a full complement of mattress fabrics and sewn covers, with the flexibility to adapt to evolving customer needs. We are strengthened by our existing manufacturing operations in the U.S., Canada, Haiti, China, and our sourcing platform in Turkey. We expect to add fabric production capabilities in Vietnam this calendar year, and we are also expanding our sewn cover production capabilities in Haiti with a new building and additional equipment. We believe these expansions will enhance our abilities to serve customers. Further, while the domestic disruption from low-priced mattress imports appears to be continuing as a result of many imports moving from China to other countries, we believe our strong global platform for fabric and covers in Asia has us well positioned to capture market share with imported mattresses going forward.

“Additionally, while the holiday shutdowns disrupted our CLASS operations in Haiti and China during the third quarter, we are pleased with the continued growth of our sewn mattress cover business. Demand trends for mattress covers remain favorable, especially for the growing boxed bedding space, and we continue to develop fresh products with both new and existing customers. With sewn cover production capabilities in the U.S., Haiti, and Asia, we have a strong platform that allows us to maximize our full supply chain potential from fabric to finished covers.

“We continue to invest in our design and marketing capabilities with the latest technologies to improve the customer experience and speed to market with new digital tools and project management software. We recently unveiled our digital library at the January market in Las Vegas, along with advanced 3D rendering capabilities that allow for mapping of selected fabrics onto each part of the bed for an immediate visual image of the entire mattress fabric configuration. We are very pleased with the initial customer response to this new merchandising service, which is being marketed as ‘Re.Imagine Culp Home Fashions.’ Our dedicated and focused product development and creative teams are driving the spirit of innovation in our mattress fabrics business, and we are excited about the opportunities to take a more active role in providing design consultation and collaboration to connect our products with specific customer demand.

“We are also enhancing our service platform as part of our ongoing efforts to be more responsive to customer demand with shorter lead times, and we are implementing a new inventory management process, which we believe will drive greater control and efficiency. Simultaneously, we are focused on sustainability throughout our operations by working to utilize more recycled yarns and environmentally friendly chemical processes. We are proud that we recently achieved landfill-free status at our Stokesdale, North Carolina, manufacturing facility, meaning substantially all of the waste generated from operations at this facility is diverted from the landfill and into a recycling program. These ongoing efforts reflect our commitment to manage our operations in an environmentally responsible manner and promote a sustainable future for Culp and our customers.

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“Looking ahead, there are many opportunities to advance our position as a leading provider of mattress fabrics and sewn covers. We believe we will benefit from our recent and ongoing efforts to further our design and service capabilities with advanced technologies that support our sales and marketing efforts with both legacy and new customers. With scalable and efficient production competency across our global operations, and a renewed focus on innovation, Culp is well positioned to meet the needs of our customers in an expanding global marketplace,” said Brown.

### **Upholstery Fabrics Segment**

Upholstery fabrics sales for the third quarter were \$35.0 million, down 5.7 percent compared with sales of \$37.1 million for the third quarter of fiscal 2019.

“Our upholstery fabrics business was affected by a slowdown in shipments heading into the Chinese New Year holiday, resulting in lower than expected sales for the quarter,” noted Boyd Chumbley, president of Culp’s upholstery fabrics division. “It is difficult to predict the impact of the holiday shutdown from year to year, and this year we experienced a greater than expected decline in January leading up to the holiday period. As a result, we showed a modest drop in sales compared with a very strong sales performance in the prior-year period, which was positively affected by advance customer purchases in anticipation of additional tariffs.

“In light of the uncertain business environment we faced, we are pleased with the overall performance of our upholstery fabrics business, particularly given the comparison to the strong third quarter in fiscal 2019. We have a strong platform in China and stable, long-term supplier relationships that have been an important advantage for Culp, especially as we resumed operations at the end of the third quarter following the extended government-mandated shutdown in China associated with the coronavirus outbreak. We believe this platform supports our ability to manage the current disruptions created by this outbreak and the procedures required by the Chinese government. Also, our addition of cut and sew capabilities in Vietnam toward the end of fiscal 2019 has further augmented our Asia platform.

“Throughout fiscal 2020, we have continued to execute our strategic focus of introducing new products and diversifying our customer base. We are especially pleased with the continued growth in our hospitality business, as we have extended our reach in this growing market. Read Window Products (RWP), our window treatment and installation services business, has been a key driver of our growing sales in this business, and we are excited about the continued growth opportunities as we expand our product portfolio for the hospitality market.

“Product innovation is a hallmark of our success in the marketplace and provides a distinct competitive advantage for Culp. Our line of highly durable, stain resistant, LiveSmart® fabrics continues to be very popular with both existing and new customers. We are excited about the demand trends for LiveSmart Evolve™, our recently introduced line of sustainability fabrics featuring the use of recycled yarns along with the same stain-resistant performance. This product line has received extensive placements for the upcoming April furniture market, and we expect to see continued growth as a product that fulfills the desires of environmentally conscious consumers. It also reflects our company-wide commitment to environmental responsibility and demonstrates our ongoing efforts to lead with innovation.

“Looking ahead, while the business environment remains uncertain with the health issues surrounding the coronavirus in China and beyond, we believe we are well positioned to execute our strategy with favorable results. We have a unique combination of innovative products, creative designs, a growing customer base across both the residential and hospitality markets, and a global platform to support our business and meet changing customer demand. As such, we remain confident in our ability to deliver another solid performance in our upholstery fabrics business in fiscal 2020,” added Chumbley.

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## **Culp Home Accessories Segment**

Sales for this segment, which includes Culp's e-commerce and finished products business offering bedding accessories and home goods, totaled \$3.9 million for the third quarter of fiscal 2020, compared with \$4.4 million for the third quarter of fiscal 2019. The third quarter operating loss for this segment showed meaningful sequential improvement as compared to the first and second quarters of fiscal 2020.

Commenting on the results, Culp said, "We have worked hard to refine our strategy and drive improved results for our home accessories segment. While it is taking longer than we expected to reach our initial projections for this business, we are encouraged by recent opportunities with new online marketplaces and business-to-business sales channels. We remain dedicated to improving our performance on Amazon, a principal sales channel for our legacy e-commerce business, despite the challenging sales environment created primarily as a result of many new sellers operating on this platform in violation of Amazon's normal terms of service. In tandem with these strategies, we are continuing to develop new products featuring Culp mattress fabrics and upholstery fabrics, and were pleased with a solid showing of these new products at the recent Las Vegas market. We remain optimistic about potential growth opportunities for Culp Home Accessories and the ability to leverage this sales channel and reach new customers for Culp."

## **Balance Sheet**

"We have maintained a sound financial position throughout fiscal 2020," added Ken Bowling, executive vice president and chief financial officer of Culp, Inc. "We reported total cash and investments of \$34.8 million and outstanding borrowings totaling \$925,000 as of February 2, 2020, for a net cash position of \$33.9 million. During the first nine months of this fiscal year, we spent \$4.1 million on capital expenditures and returned \$4.5 million to shareholders in regular dividends and share repurchases. We had negative cash flow from operations of \$(519,000) and negative free cash flow of \$(4.7) million for the first nine months of the year due primarily to the timing of payments in advance of Chinese New Year shutdowns and higher than expected inventories. This compared with cash flow from operations of \$8.1 million and free cash flow of \$5.9 million for the prior-year period (See reconciliation table on page 8). With better working capital performance, including better management of inventory, we expect cash flow from operations and free cash flow to improve significantly in the fourth quarter of fiscal 2020."

## **Dividends and Share Repurchases**

The company also announced that the board of directors has approved the payment of a quarterly cash dividend of 10.5 cents per share. This compares with 10.0 cents per share paid for the same period last year, reflecting an increase of five percent. This payment will be made on April 15, 2020, to shareholders of record as of April 7, 2020. Future dividend payments are subject to board approval and may be adjusted at the board's discretion as business needs or market conditions change.

The company repurchased 55,750 shares of Culp common stock during the third quarter of fiscal 2020, and subsequently repurchased an additional 86,746 shares through March 4, 2020, leaving approximately \$3.3 million available under the share repurchase program approved by the Board in September 2019. The board has approved an increase in the authorization for the company to acquire its common stock back to a total of \$5.0 million. Shares may be repurchased, at the company's discretion, from time-to-time in the open market or in privately negotiated transactions.

Since June 2011, the company has returned approximately \$71.5 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

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## Financial Outlook

Commenting on the outlook for the fourth quarter of fiscal 2020, Bowling remarked, “Importantly, our expectations for the fourth quarter assume the coronavirus outbreak does not have a greater than anticipated impact on the company’s operations, which may affect each of the company’s divisions to varying levels. Currently, we have not experienced significant disruption in our China operations or supply chain due to the virus. We are monitoring the situation daily and following the processes and procedures provided for in the company’s global pandemic disease contingency plan to protect our workforce. However, the potential impact of the coronavirus is difficult to estimate reasonably at this point given the fluidity in circumstances related to the disease and the actions being taken to contain its spread. If conditions relating to the virus worsen, our operations and supply chain, particularly in China, could face some disruption, and consumer confidence could be negatively affected, which could adversely affect our financial results.

“Subject to those assumptions and limitations, we expect overall sales to increase slightly compared with the fourth quarter of last year.

“We expect mattress fabrics sales to be slightly down compared with the fourth quarter of last year due to continuing market pressure and softness in our legacy business during the fourth quarter, while operating income and margins are expected to increase slightly compared with the prior-year period.

“In our upholstery fabrics segment, we expect fourth quarter sales and operating income and margins to be slightly higher than the prior-year period.

“In our home accessories segment, we expect fourth quarter sales to be comparable to the fourth quarter of fiscal 2019. We expect an operating loss for the fourth quarter, but with significant improvement compared to the prior-year period and continued quarter-over-quarter sequential improvement for fiscal 2020.

“Considering these factors, the company expects to report pre-tax income for the fourth fiscal quarter of 2020 in the range of \$1.9 million to \$2.4 million, excluding restructuring and related charges or credits, other non-recurring charges, and impairment charges, if any. Pre-tax income for last year’s fourth quarter was \$1.5 million, which included a non-recurring charge of \$500,000. Excluding this charge, pre-tax income for the fourth quarter of fiscal 2019 was \$2.0 million.

“Based on our current projection, capital expenditures for fiscal 2020 are now expected to be in the \$6.0 million to \$6.5 million range. Additionally, free cash flow for fiscal 2020 is expected to be moderately down as compared to last year’s results,” added Bowling.

## About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp’s manufacturing facilities and fabrics sourced through other suppliers. Culp has operations located in the United States, Canada, China, and Haiti.

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*This release contains “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management’s expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “anticipate,” “estimate,” “plan,” “project,” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, or future developments. There can be no assurance that the company will realize these expectations, meet its guidance, or that these beliefs will prove correct.*

*Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, suppliers, and the global economy, such as the coronavirus currently impacting China and beyond, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results, including without limitation possible additional future write-downs with respect to our home accessories segment in accordance with our policy described in our Form 10-Q filed with the Securities and Exchange Commission on December 13, 2019 for the quarterly period ended November 3, 2019. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 12, 2019 for the fiscal year ended April 28, 2019, and our subsequent periodic reports filed with the Securities and Exchange Commission.*

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**CULP, INC.**  
**Condensed Financial Highlights**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 2, 2020	January 27, 2019	February 2, 2020	January 27, 2019
Net sales	\$ 71,998,000	\$ 77,226,000	\$ 219,465,000	\$ 225,705,000
Income (loss) before income taxes	\$ (5,124,000)	\$ 4,262,000	\$ 1,826,000	\$ 10,485,000
Net income (loss) attributable to Culp, Inc.	\$ (58)	\$ 3,154,000	\$ 3,580,000	\$ 7,044,000
Net income (loss) attributable to Culp, Inc. per share:				
Basic	\$ 0.00	\$ 0.25	\$ 0.29	\$ 0.56
Diluted	\$ 0.00	\$ 0.25	\$ 0.29	\$ 0.56
Average shares outstanding:				
Basic	12,409,000	12,438,000	12,405,000	12,488,000
Diluted	12,409,000	12,465,000	12,421,000	12,593,000

**Summary of Cash and Investments**  
**February 2, 2020, January 27, 2019 and April 28, 2019**  
(Unaudited)

	Amounts		
	February 2, 2020	January 27, 2019	April 28, 2019*
<i>(Amounts in Thousands)</i>			
Cash and cash equivalents	\$ 21,872	\$ 26,418	\$ 40,008
Short-term investments – Available for Sale	7,580	-	-
Short-term investments – Held to Maturity	3,171	13,544	5,001
Long-term investments – Held to Maturity	2,224	-	-
Total cash and investments	<u>\$ 34,847</u>	<u>\$ 39,962</u>	<u>\$ 45,009</u>

\*Derived from audited financial statements.

**Reconciliation of Free Cash Flow**  
**For the Nine Months Ended February 2, 2020, and January 27, 2019**  
(Unaudited)

	Nine Months Ended February 2, 2020	Nine Months Ended January 27, 2019
<i>(Amounts in Thousands)</i>		
Net cash (used in) provided by operating activities	\$ (519)	\$ 8,805
Minus: Capital Expenditures	(4,072)	(2,954)
Plus: Proceeds from the sale of property, plant, and equipment	672	1,894
Minus: Investment in unconsolidated joint venture	-	(120)
Minus: Payments on vendor-financed capital expenditures	-	(1,412)
Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	-	1,233
Minus: Purchase of long-term investments (Rabbi Trust)	(707)	(795)
Effect of exchange rate changes on cash and cash equivalents	(94)	(81)
Free Cash Flow	<u>\$ (4,720)</u>	<u>\$ 5,850</u>

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**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Three Months Ended February 2, 2020**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported February 2, 2020</b>	<b>Adjustments</b>	<b>February 2, 2020 Adjusted Results</b>
Gross profit	\$ 12,384	\$ -	\$ 12,384
Selling, general, and administrative expenses	9,952	-	9,952
Asset impairments <sup>(1)</sup>	13,639	(13,639)	-
Reversal of contingent consideration – earn-out obligation <sup>(2)</sup>	(6,081)	6,081	-
Restructuring credit <sup>(3)</sup>	(35)	35	-
(Loss) income from operations	<u>(5,091)</u>	<u>7,523</u>	<u>2,432</u>
(Loss) income before income taxes	<u>(5,124)</u>	<u>7,523</u>	<u>2,399</u>

(1) During the three-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.

(2) During the three-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.

(3) The \$35 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Three Months Ended January 27, 2019**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported January 27, 2019</b>	<b>Adjustments</b>	<b>January 27, 2019 Adjusted Results</b>
Gross profit <sup>(1)</sup>	\$ 14,123	\$ 514	\$ 14,637
Selling, general, and administrative expenses <sup>(2)</sup>	10,038	(469)	9,569
Restructuring credit <sup>(3)</sup>	(214)	214	-
Income from operations	<u>4,299</u>	<u>769</u>	<u>5,068</u>
Income before income taxes	<u>4,262</u>	<u>769</u>	<u>5,031</u>

(1) Cost of sales for the three-month period ending January 27, 2019, includes a \$514 restructuring related charge for operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.

(2) Selling, general, and administrative expenses for the three-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge, respectively, associated with our closed Anderson, SC upholstery fabrics facility.

(3) The \$214 restructuring credit represents a \$362 gain on sale of the building and land associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a \$148 charge for employee termination benefits.

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**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For the Nine Months Ended February 2, 2020**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported February 2, 2020</b>	<b>Adjustments</b>	<b>February 2, 2020 Adjusted Results</b>
Gross profit	\$ 39,853	\$ -	\$ 39,853
Selling, general, and administrative expenses	30,783	-	30,783
Asset impairments (1)	13,639	(13,639)	-
Reversal of contingent consideration – earn-out obligation (2)	(6,081)	6,081	-
Restructuring credit (3)	(70)	70	-
Income from operations	<u>1,582</u>	<u>7,488</u>	<u>9,070</u>
Income before income taxes	<u>1,826</u>	<u>7,488</u>	<u>9,314</u>

(1) During the nine-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.

(2) During the nine-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.

(3) The \$70 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For the Nine Months Ended January 27, 2019**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported January 27, 2019</b>	<b>Adjustments</b>	<b>January 27, 2019 Adjusted Results</b>
Gross profit (1) (2)	\$ 38,008	\$ 2,508	\$ 40,516
Selling, general, and administrative expenses (2) (3)	28,174	(558)	27,616
Restructuring credit (4)	(825)	825	-
Income from operations	<u>10,659</u>	<u>2,241</u>	<u>12,900</u>
Income before income taxes	<u>10,485</u>	<u>2,241</u>	<u>12,726</u>

(1) Cost of sales for the nine-month period ending January 27, 2019, includes restructuring related charges totaling \$2.3 million, of which \$1.6 million pertains to inventory markdowns and \$784 pertains to operating costs associated with our closed upholstery fabrics plant facility located in Anderson, SC.

(2) During the nine-month period ending January 27, 2019, our mattress fabrics segment incurred non-recurring charges totaling \$248 that pertained to employee termination benefits and other operational reorganization costs. Of the \$248 total non-recurring charge, \$159 and \$89 were recorded in cost of sales and selling, general, and administrative expenses, respectively.

(3) Selling, general, and administrative expenses for the nine-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge, respectively, associated with our closed Anderson, SC upholstery fabrics facility.

(4) The \$825 restructuring credit represents a \$1.5 million gain on sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a charge of \$661 for employee termination benefits.

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME**  
**FOR THREE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>THREE MONTHS ENDED</b>					
	(9)	Amounts	(9)	% Over (Under)	Percent of Sales	
	<b>February 2, 2020</b>		January 27, 2019		<b>February 2, 2020</b>	January 27, 2019
Net sales	\$ 71,998		77,226	(6.8)%	100.0%	100.0%
Cost of sales	59,614	(4)	63,103	(5.5)%	82.8%	81.7%
Gross profit	<u>12,384</u>		<u>14,123</u>	(12.3)%	17.2%	18.3%
Selling, general and administrative expenses	9,952	(5)	10,038	(0.9)%	13.8%	13.0%
Asset impairments	13,639	(1)	-	100.0%	18.9%	0.0%
Reversal of contingent consideration - earn-out obligation	(6,081)	(2)	-	100.0%	(8.4)%	0.0%
Restructuring credit	(35)	(3)	(214)	(83.6)%	(0.0)%	(0.3)%
(Loss) income from operations	<u>(5,091)</u>	(6)	<u>4,299</u>	(218.4)%	(7.1)%	5.6%
Interest expense	8		-	100.0%	0.0%	0.0%
Interest income	(242)		(251)	(3.6)%	(0.3)%	(0.3)%
Other expense	267		288	(7.3)%	0.4%	0.4%
(Loss) income before income taxes	<u>(5,124)</u>		<u>4,262</u>	(220.2)%	(7.1)%	5.5%
Income tax (benefit) expense *	(973)	(7)	1,225	(179.4)%	19.0%	28.7%
Loss (income) from investment in unconsolidated joint venture	56		(23)	(343.5)%	0.1%	(0.0)%
Net (loss) income	<u>(4,207)</u>		<u>3,060</u>	(237.5)%	(5.8)%	4.0%
Net loss attributable to non-controlling interest	4,149	(8)	94	N.M	5.8%	0.1%
Net (loss) income attributable to Culp Inc. common shareholders	<u>\$ (58)</u>		<u>3,154</u>	(101.8)%	(0.1)%	4.1%
Net (loss) income attributable to Culp Inc. common shareholders per share - basic	\$ 0.00		\$ 0.25	(100.0)%		
Net (loss) income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.00		\$ 0.25	(100.0)%		
Average shares outstanding-basic	12,409		12,438	(0.2)%		
Average shares outstanding-diluted	12,409		12,465	(0.4)%		

\* Percent of sales column for income tax (benefit) expense is calculated as a % of income before income taxes.

Notes

- (1) During the three-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.
- (2) During the three-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.
- (3) The \$35 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (4) Cost of sales for the three-month period ending January 27, 2019, includes a \$514 restructuring related charge for operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (5) Selling, general, and administrative expenses for the three-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge associated with our closed Anderson, SC upholstery fabrics facility.
- (6) The \$214 restructuring credit represents a \$362 gain on sale of the building and land associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a \$148 charge for employee termination benefits.

- (7) During the three-months ending January 27, 2019, we recorded an income tax benefit of \$593 related to provisional adjustments in connection with the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017.
- (8) During the three-month period ending February 2, 2020, the net loss attributable to non-controlling interest included its proportionate share of asset impairments totaling \$4.1 million.
- (9) See page 8 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods February 2, 2020 and January 27, 2019, which exclude certain charges and credits.
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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME**  
**FOR NINE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**  
**(UNAUDITED)**

(Amounts in Thousands, Except for Per Share Data)

	NINE MONTHS ENDED					
	(10)	Amounts	(10)	% Over	Percent of Sales	
	February 2, 2020		January 27, 2019		February 2, 2020	January 27, 2019
Net sales	\$ 219,465		225,705	(2.8)%	100.0%	100.0%
Cost of sales	179,612	(4) (5)	187,697	(4.3)%	81.8%	83.2%
Gross profit	<u>39,853</u>		<u>38,008</u>	4.9%	18.2%	16.8%
Selling, general and administrative expenses	30,783	(5) (6)	28,174	9.3%	14.0%	12.5%
Asset impairments	(1) 13,639		-	100.0%	6.2%	0.0%
Reversal of contingent consideration - earn-out obligation	(2) (6,081)		-	100.0%	(2.8)%	0.0%
Restructuring credit	(3) (70)	(7)	(825)	(91.5)%	(0.0)%	(0.4)%
Income from operations	<u>1,582</u>		<u>10,659</u>	(85.2)%	0.7%	4.7%
Interest expense	47		38	23.7%	0.0%	0.0%
Interest income	(732)		(552)	32.6%	(0.3)%	(0.2)%
Other expense	441		688	(35.9)%	0.2%	0.3%
Income before income taxes	<u>1,826</u>		<u>10,485</u>	(82.6)%	0.8%	4.6%
Income tax expense *	2,607	(8)	3,407	(23.5)%	142.8%	32.5%
Loss from investment in unconsolidated joint venture	<u>60</u>		<u>109</u>	(45.0)%	0.0%	0.0%
Net (loss) income	<u>(841)</u>		<u>6,969</u>	(112.1)%	(0.4)%	3.1%
Net loss attributable to non-controlling interest	4,421	(9)	75	N.M.	2.0%	0.0%
Net income attributable to Culp Inc. common shareholders	<u>\$ 3,580</u>		<u>7,044</u>	(49.2)%	1.6%	3.1%
Net income attributable to Culp Inc. common shareholders per share - basic	\$ 0.29		\$ 0.56	(48.2)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.29		\$ 0.56	(48.2)%		
Average shares outstanding-basic	12,405		12,488	(0.7)%		
Average shares outstanding-diluted	12,421		12,593	(1.4)%		

\* Percent of sales column for income tax expense is calculated as a % of income before income taxes.

Notes

- (1) During the nine-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.
- (2) During the nine-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.
- (3) The \$70 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (4) Cost of sales for the nine-month period ending January 27, 2019, includes restructuring related charges totaling \$2.3 million, of which \$1.6 million pertains to inventory markdowns and \$784 pertains to operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (5) During the nine-month period ending January 27, 2019, our mattress fabrics segment incurred non-recurring charges totaling \$248 that pertained to employee termination benefits and other operational reorganization costs. Of the \$248 total non-recurring charge, \$159 and \$89 were recorded in cost of sales and selling, general, and administrative expenses, respectively.
- (6) Selling, general, and administrative expenses for the nine-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge, respectively, associated with our closed Anderson, SC upholstery fabrics facility.
- (7) The \$825 restructuring credit represents a \$1.5 million gain on sale of property, plant, and equipment associated with our closed Anderson, SC upholstery

fabrics facility, partially offset by a charge of \$661 for employee termination benefits.

- (8) During the nine-month period ending January 27, 2019, we recorded an income tax benefit of \$593 related to provisional adjustments in connection with the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017.
  - (9) During the three-month period ending February 2, 2020, the net loss attributable to non-controlling interest included its proportionate share of asset impairments totaling \$4.1 million.
  - (10) See page 9 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the nine-month periods February 2, 2020 and January 27, 2019, which exclude certain charges and credits.
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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**FEBRUARY 2, 2020, JANUARY 27, 2019, AND APRIL 28, 2019**

**Unaudited**  
**(Amounts in Thousands)**

	<b>Amounts</b>		Increase		* April 28, 2019
	(Condensed)		(Decrease)		
	<b>February 2, 2020</b>	January 27, 2019	Dollars	Percent	
<b>Current assets</b>					
Cash and cash equivalents	\$ 21,872	26,418	(4,546)	(17.2)%	40,008
Short-term investments - Held-To-Maturity	3,171	13,544	(10,373)	(76.6)%	5,001
Short-term investments - Available for Sale	7,580	-	7,580	100.0%	-
Accounts receivable	26,614	26,142	472	1.8%	23,751
Inventories	57,575	55,415	2,160	3.9%	50,860
Current income taxes receivable	776	-	776	100.0%	776
Assets held for sale	67	-	67	100.0%	-
Other current assets	3,219	2,954	265	9.0%	2,849
Total current assets	<b>120,874</b>	124,473	(3,599)	(2.9)%	123,245
Property, plant & equipment, net	46,380	50,129	(3,749)	(7.5)%	48,389
Goodwill	16,011	27,222	(11,211)	(41.2)%	27,222
Intangible assets	7,738	10,542	(2,804)	(26.6)%	10,448
Long-term investments - Rabbi Trust	7,804	6,834	970	14.2%	7,081
Long-term investments - Held-To-Maturity	2,224	-	2,224	100.0%	-
Right of use asset	5,524	-	5,524	100.0%	-
Noncurrent income taxes receivable	733	-	733	100.0%	733
Deferred income taxes	920	3,224	(2,304)	(71.5)%	457
Investment in unconsolidated joint venture	1,668	1,512	156	10.3%	1,508
Other assets	464	972	(508)	(52.3)%	643
Total assets	<b>\$ 210,340</b>	224,908	(14,568)	(6.5)%	219,726
<b>Current liabilities</b>					
Accounts payable - trade	\$ 21,835	28,401	(6,566)	(23.1)%	24,377
Accounts payable - capital expenditures	177	91	86	94.5%	78
Operating lease liability - current	2,227	-	2,227	100.0%	-
Deferred revenue	398	492	(94)	(19.1)%	399
Accrued expenses	7,742	9,740	(1,998)	(20.5)%	9,192
Accrued restructuring costs	-	228	(228)	(100.0)%	124
Income taxes payable - current	455	642	(187)	(29.1)%	1,022
Total current liabilities	<b>32,834</b>	39,594	(6,760)	(17.1)%	35,192
Accrued expenses - long-term	233	-	233	100.0%	333
Subordinated loan payable	925	-	925	100.0%	675
Operating lease liability - long-term	3,160	-	3,160	100.0%	-
Contingent consideration - Earn-Out Obligation	-	5,781	(5,781)	(100.0)%	5,856
Income taxes payable - long-term	3,442	3,294	148	4.5%	3,249
Deferred income taxes	2,013	2,225	(212)	(9.5)%	3,176
Deferred compensation	7,637	6,782	855	12.6%	6,998
Total liabilities	<b>50,244</b>	57,676	(7,432)	(12.9)%	55,479
<b>Shareholders' equity</b>					
Shareholders' equity attributable to Culp Inc.	159,843	162,775	(2,932)	(1.8)%	159,933
Non-controlling interest	253	4,457	(4,204)	(94.3)%	4,314
Total liabilities and shareholders' equity	<b>\$ 210,340</b>	224,908	(14,568)	(6.5)%	219,726
Shares outstanding	<b>12,361</b>	12,368	(7)	(0.1)%	12,391

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**SUMMARY OF CASH AND INVESTMENTS**  
**FEBRUARY 2, 2020, JANUARY 27, 2019, AND APRIL 28, 2019**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>Amounts</b>		
	<b>February 2, 2020</b>	<b>January 27, 2019</b>	<b>April 28, 2019*</b>
Cash and cash equivalents	\$ 21,872	\$ 26,418	\$ 40,008
Short-term investments - Available for Sale	7,580	-	-
Short-term investments - Held-To-Maturity	3,171	13,544	5,001
Long-term investments - Held-To-Maturity	2,224	-	-
Total Cash and Investments	<b>\$ 34,847</b>	<b>\$ 39,962</b>	<b>\$ 45,009</b>

\* Derived from audited financial statements.



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**

**Unaudited**  
**(Amounts in Thousands)**

	<b>NINE MONTHS ENDED</b>	
	Amounts	
	<b>February 2, 2020</b>	<b>January 27, 2019</b>
Cash flows from operating activities:		
Net (loss) income	\$ (841)	6,969
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	5,880	6,087
Amortization	530	592
Asset impairments	13,639	-
Reversal of contingent consideration - earn-out obligation	(6,081)	-
Stock-based compensation	831	373
Deferred income taxes	(1,626)	(1,691)
Realized loss on sale of short-term investments (Available for Sale)	-	94
Gain on sale of equipment	(276)	(1,456)
Loss from investment in unconsolidated joint venture	60	109
Foreign currency exchange (gain) loss	(15)	12
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Accounts receivable	(2,885)	(38)
Inventories	(7,016)	(658)
Other current assets	(527)	(43)
Other assets	159	6
Accounts payable	(2,475)	486
Deferred revenue	(1)	(317)
Accrued expenses and deferred compensation	542	(1,513)
Accrued restructuring costs	(124)	228
Income taxes	(293)	(1,155)
Net cash (used in) provided by operating activities	<b>(519)</b>	<b>8,085</b>
Cash flows from investing activities:		
Net cash paid for acquisition of businesses	-	(12,096)
Capital expenditures	(4,072)	(2,954)
Proceeds from the sale of property, plant, and equipment	672	1,894
Investment in unconsolidated joint venture	-	(120)
Proceeds from the sale of short-term investments (Held to Maturity)	5,000	17,150
Purchase of short-term and long-term investments (Held to Maturity)	(5,397)	-
Proceeds from the sale of short-term investments (Available for Sale)	-	2,458
Purchase of short-term investments (Available for Sale)	(7,532)	(10)
Proceeds from the sale of long-term investments (Rabbi Trust)	-	1,233
Purchase of long-term investments (Rabbi Trust)	(707)	(795)
Net cash (used in) provided by investing activities	<b>(12,036)</b>	<b>6,760</b>
Cash flows from financing activities:		
Proceeds from line of credit	-	12,000
Payments on line of credit	-	(12,000)
Payments on vendor-financed capital expenditures	-	(1,412)
Proceeds from subordinated loan payable	250	-
Cash paid for acquisition of businesses	(1,532)	-
Dividends paid	(3,786)	(3,493)
Common stock surrendered for withholding taxes payable	(51)	(1,303)
Capital contribution from non-controlling interest	360	-
Common stock repurchased	(728)	(3,316)
Payments of debt issuance costs	-	(50)
Net cash used in financing activities	<b>(5,487)</b>	<b>(9,574)</b>
Effect of exchange rate changes on cash and cash equivalents	(94)	(81)
Increase (decrease) in cash and cash equivalents	(18,136)	5,190
Cash and cash equivalents at beginning of period	40,008	21,228
Cash and cash equivalents at end of period	<b>\$ 21,872</b>	<b>26,418</b>
Free Cash Flow (1)	<b>\$ (4,720)</b>	<b>5,850</b>

**(1) Free Cash Flow reconciliation is as follows:**

	<b>FY 2020</b>	<b>FY 2019</b>
A) Net cash (used in) provided by operating activities	\$ (519)	8,085
B) Minus: Capital Expenditures	(4,072)	(2,954)
C) Plus: Proceeds from the sale of property, plant, and equipment	672	1,894
D) Minus: Investment in unconsolidated joint venture	-	(120)
E) Minus: Payments on vendor-financed capital expenditures	-	(1,412)
F) Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	-	1,233
G) Minus: Purchase of long-term investments (Rabbi Trust)	(707)	(795)
H) Effects of exchange rate changes on cash and cash equivalents	(94)	(81)
Free Cash Flow	<u>\$ (4,720)</u>	<u>5,850</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**  
(Unaudited)  
(Amounts in thousands)

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	February 2, 2020	January 27, 2019	% Over (Under)	February 2, 2020	January 27, 2019
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 33,105	35,732	(7.4)%	46.0%	46.3%
Upholstery Fabrics	34,987	37,104	(5.7)%	48.6%	48.0%
Home Accessories	3,906	4,390	(11.0)%	5.4%	5.7%
Net Sales	<u>\$ 71,998</u>	<u>77,226</u>	<u>(6.8)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
				Gross Profit Margin	
Mattress Fabrics	\$ 4,614	5,963	(22.6)%	13.9%	16.7%
Upholstery Fabrics	6,906	7,624	(9.4)%	19.7%	20.5%
Home Accessories	864	1,050	(17.7)%	22.1%	23.9%
Subtotal	<u>12,384</u>	<u>14,637</u>	<u>(15.4)%</u>	<u>17.2%</u>	<u>19.0%</u>
Restructuring related charges	-	(514)	(100.0)%	0.0%	(0.7)%
Gross Profit	<u>\$ 12,384</u>	<u>14,123</u>	<u>(12.3)%</u>	<u>17.2%</u>	<u>18.3%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
				Percent of Sales	
Mattress Fabrics	\$ 2,836	2,755	2.9%	8.6%	7.7%
Upholstery Fabrics	3,876	3,825	1.3%	11.1%	10.3%
Home Accessories	1,046	1,361	(23.1)%	26.8%	31.0%
Unallocated Corporate expenses	2,194	1,628	34.8%	3.0%	2.1%
Subtotal	<u>9,952</u>	<u>9,569</u>	<u>4.0%</u>	<u>13.8%</u>	<u>12.4%</u>
Other non-recurring charges	-	429	(100.0)%	0.0%	0.6%
Restructuring related charges	-	40	(100.0)%	0.0%	0.1%
Selling, General and Administrative Expenses	<u>\$ 9,952</u>	<u>10,038</u>	<u>(0.9)%</u>	<u>13.8%</u>	<u>13.0%</u>
<b>Operating Income (loss) by Segment</b>					
				Operating Income (Loss) Margin	
Mattress Fabrics	\$ 1,777	3,208	(44.6)%	5.4%	9.0%
Upholstery Fabrics	3,030	3,799	(20.2)%	8.7%	10.2%
Home Accessories	(181)	(311)	(41.8)%	(4.6)%	(7.1)%
Unallocated corporate expenses	(2,194)	(1,628)	34.8%	(3.0)%	(2.1)%
Subtotal	<u>2,432</u>	<u>5,068</u>	<u>(52.0)%</u>	<u>3.4%</u>	<u>6.6%</u>
Asset Impairments	(1) (13,639)	-	100.0%	(18.9)%	0.0%
Reversal of contingent consideration - earn-out obligation	(1) 6,081	-	100.0%	8.4%	0.0%
Restructuring credit (expense) and related charges	(1) 35	(340)	(110.3)%	0.0%	(0.4)%
Other non-recurring items	-	(429)	(100.0)%	0.0%	(0.6)%
Operating (loss) income	<u>\$ (5,091)</u>	<u>4,299</u>	<u>(218.4)%</u>	<u>(7.1)%</u>	<u>5.6%</u>
<b>Depreciation Expense by Segment</b>					
Mattress Fabrics	\$ 1,696	1,752	(3.2)%		
Upholstery Fabrics	195	182	7.1%		
Home Accessories	96	97	(1.0)%		
Depreciation Expense	<u>\$ 1,987</u>	<u>2,031</u>	<u>(2.2)%</u>		

(1) See page 8 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods February 2, 2020 and January 27, 2019 for descriptions of these charges and credits.

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE NINE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**

(Unaudited)

(Amounts in thousands)

	NINE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	February 2, 2020	January 27, 2019	% Over (Under)	February 2, 2020	January 27, 2019
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 107,250	107,335	(0.1)%	48.9%	47.6%
Upholstery Fabrics	100,730	106,611	(5.5)%	45.9%	47.2%
Home Accessories	11,485	11,759	(2.3)%	5.2%	5.2%
Net Sales	<u>\$ 219,465</u>	<u>225,705</u>	<u>(2.8)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 16,553	17,050	(2.9)%	15.4%	15.9%
Upholstery Fabrics	20,905	20,031	4.4%	20.8%	18.8%
Home Accessories	2,395	3,435	(30.3)%	20.9%	29.2%
Subtotal	<u>39,853</u>	<u>40,516</u>	<u>(1.6)%</u>	<u>18.2%</u>	<u>18.0%</u>
Other non-recurring charges	-	(159)	(100.0)%	0.0%	(0.1)%
Restructuring related charges	-	(1)	(2,349)	(100.0)%	0.0%
Gross Profit	<u>\$ 39,853</u>	<u>38,008</u>	<u>4.9%</u>	<u>18.2%</u>	<u>16.8%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 8,860	8,141	8.8%	8.3%	7.6%
Upholstery Fabrics	11,528	10,985	4.9%	11.4%	10.3%
Home Accessories	3,462	3,690	(6.2)%	30.1%	31.4%
Unallocated Corporate expenses	6,933	4,800	44.4%	3.2%	2.1%
Subtotal	<u>30,783</u>	<u>27,616</u>	<u>11.5%</u>	<u>14.0%</u>	<u>12.2%</u>
Other non-recurring charges	-	(1)	518	(100.0)%	0.0%
Restructuring related charges	-	(1)	40	(100.0)%	0.0%
Selling, General and Administrative Expenses	<u>\$ 30,783</u>	<u>28,174</u>	<u>9.3%</u>	<u>14.0%</u>	<u>12.5%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 7,693	8,910	(13.7)%	7.2%	8.3%
Upholstery Fabrics	9,378	9,044	3.7%	9.3%	8.5%
Home Accessories	(1,068)	(254)	320.5%	(9.3)%	(2.2)%
Unallocated corporate expenses	(6,933)	(4,800)	44.4%	(3.2)%	(2.1)%
Subtotal	<u>\$ 9,070</u>	<u>12,900</u>	<u>(29.7)%</u>	<u>4.1%</u>	<u>5.7%</u>
Asset Impairments	(1) (13,639)	-	100.0%	(6.2)%	0.0%
Reversal of contingent consideration - earn-out obligation	(1) 6,081	-	100.0%	2.8%	0.0%
Other non-recurring charges	-	(1) (678)	(100.0)%	0.0%	(0.3)%
Restructuring credit (expense) and related charges	(1) 70	(1) (1,563)	(104.5)%	0.0%	(0.7)%
Operating income	<u>1,582</u>	<u>10,659</u>	<u>(85.2)%</u>	<u>0.7%</u>	<u>4.7%</u>
<b>Return on Capital (2)</b>					
Mattress Fabrics	14.1%	19.4%			
Upholstery Fabrics	53.8%	56.3%			
Home Accessories	N.M.	N.M.			
Unallocated Corporate	N.M.	N.M.			

Consolidated	<u>8.7%</u>	<u>15.7%</u>	
<hr/>			
Capital Employed (2) (3)			
<hr/>			
Mattress Fabrics	\$ 78,177	75,103	4.1%
Upholstery Fabrics	24,151	20,614	17.2%
Home Accessories	3,109	3,439	(9.6)%
Unallocated Corporate	24,051	30,999	(22.4)%
Consolidated	<u>\$ 129,488</u>	<u>130,155</u>	<u>(0.5)%</u>

Depreciation Expense by Segment

Mattress Fabrics	\$ 5,017	5,265	(4.7)%
Upholstery Fabrics	577	595	(3.0)%
Home Accessories	286	227	26.0%
Depreciation Expense	<u>\$ 5,880</u>	<u>6,087</u>	<u>(3.4)%</u>

Notes

(1) See page 9 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the nine-month periods February 2, 2020 and January 27, 2019 for descriptions of these charges and credits.

(2) See pages 11 and 12 of this financial information release for calculations.

(3) The capital employed balances are as of February 2, 2020 and January 27, 2019.

**CULP, INC.**  
**RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**

**THREE MONTHS ENDED (UNAUDITED)**

	As Reported			As Reported			January 27, 2019	
	February 2, 2020	Adjustments		February 2, 2020 Adjusted Results	January 27, 2019	Adjustments		Adjusted Results
Gross Profit	12,384	-		12,384	14,123	(4)	514	14,637
Selling, general and administrative expenses	9,952	-		9,952	10,038	(5)	(469)	9,569
Asset impairments	13,639	(1)	(13,639)	-	-		-	-
Reversal of contingent consideration - earn-out obligation	(6,081)	(2)	6,081	-	-		-	-
Restructuring credit	(35)	(3)	35	-	(214)	(6)	214	-
(Loss) income from operations	<b>(5,091)</b>		7,523	2,432	<b>4,299</b>		769	5,068
(Loss) income before income taxes	<b>(5,124)</b>		7,523	2,399	<b>4,262</b>		769	5,031

Notes

- (1) During the three-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.
- (2) During the three-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.
- (3) The \$35 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (4) Cost of sales for the three-month period ending January 27, 2019, includes a \$514 restructuring related charge for operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (5) Selling, general, and administrative expenses for the three-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge, respectively, associated with our closed Anderson, SC upholstery fabrics facility.
- (6) The \$214 restructuring credit represents a \$362 gain on sale of the building and land associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a \$148 charge for employee termination benefits.

**CULP, INC.**  
**RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**

<b>NINE MONTHS ENDED (UNAUDITED)</b>								
	<b>As Reported</b>			February 2, 2020	<b>As Reported</b>			
	<b>February 2, 2020</b>	Adjustments		Adjusted Results	<b>January 27, 2019</b>	Adjustments		
							January 27, 2019 Adjusted Results	
Gross Profit	<b>39,853</b>	-		39,853	<b>38,008</b>	(4)(5)	2,508	40,516
Selling, general and administrative expenses	<b>30,783</b>	-		30,783	<b>28,174</b>	(5)(6)	(558)	27,616
Asset impairments	<b>13,639</b>	(1)	(13,639)	-	-		-	-
Reversal of contingent consideration - earnout obligation	<b>(6,081)</b>	(2)	6,081	-	-		-	-
Restructuring credit	<b>(70)</b>	(3)	70	-	<b>(825)</b>	(7)	825	-
Income from operations	<b>1,582</b>		7,488	9,070	<b>10,659</b>		2,241	12,900
Income before income taxes	<b>1,826</b>		7,488	9,314	<b>10,485</b>		2,241	12,726

**Notes**

- (1) During the nine-month period ending February 2, 2020, our home accessories segment incurred asset impairment charges totaling \$13.6 million of which \$11.2 million and \$2.4 million pertained to this segment's goodwill and tradename, respectively.
- (2) During the nine-month period ending February 2, 2020, we recorded a reversal of \$6.1 million that pertained to a contingent earn-out obligation associated with the purchase of our 80% ownership interest in eLuxury, LLC.
- (3) The \$70 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (4) Cost of sales for the nine-month period ending January 27, 2019, includes restructuring related charges totaling \$2.3 million, of which \$1.6 million pertains to inventory markdowns and \$784 pertains to operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (5) During the nine-month period ending January 27, 2019, our mattress fabrics segment incurred non-recurring charges totaling \$248 that pertained to employee termination benefits and other operational reorganization costs. Of the \$248 total non-recurring charge, \$159 and \$89 were recorded in cost of sales and selling, general, and administrative expenses, respectively.
- (6) Selling, general, and administrative expenses for the nine-months ending January 27, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge, respectively, associated with our closed Anderson, SC upholstery fabrics facility.
- (7) The \$825 restructuring credit represents a \$1.5 million gain on sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a charge of \$661 for employee termination benefits.



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA**  
**FOR THE TWELVE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 2/2/2020
	4/28/2019	8/4/2019	11/3/2019	2/2/2020	
Net (loss) income	\$ (1,511)	\$ 1,174	\$ 2,192	\$ (4,207)	\$ (2,352)
Income tax expense (benefit)	3,017	1,682	1,898	(973)	5,624
Interest income, net	(210)	(241)	(210)	(234)	(895)
Other non-recurring charges	500	-	-	-	500
Restructuring credit	-	(35)	-	(35)	(70)
Asset impairments	-	-	-	13,639	13,639
Reversal of contingent consideration - earn-out obligation	-	-	-	(6,081)	(6,081)
Depreciation and amortization expense	2,218	2,081	2,165	2,164	8,628
Stock based compensation	(243)	154	313	364	588
Adjusted EBITDA	<u>\$ 3,771</u>	<u>\$ 4,815</u>	<u>\$ 6,358</u>	<u>\$ 4,637</u>	<u>\$ 19,581</u>
% Net Sales	<u>5.3%</u>	<u>6.4%</u>	<u>8.8%</u>	<u>6.4%</u>	<u>6.7%</u>
	Quarter Ended				Trailing 12 Months 1/27/2019
	4/29/2018	7/29/2018	10/28/2018	1/27/2019	
Net income	\$ 12,666	\$ 965	\$ 2,944	\$ 3,060	\$ 19,635
Income tax (benefit) expense	(6,217)	906	1,276	1,225	(2,810)
Interest income, net	(117)	(130)	(133)	(251)	(631)
Other non-recurring charges	-	-	248	429	677
Restructuring expense (credit) and related charges	-	2,016	(791)	340	1,565
Depreciation and amortization expense	2,096	2,160	2,287	2,232	8,775
Stock based compensation	(210)	(501)	395	479	163
Adjusted EBITDA	<u>\$ 8,218</u>	<u>\$ 5,416</u>	<u>\$ 6,226</u>	<u>\$ 7,514</u>	<u>\$ 27,374</u>
% Net Sales	<u>10.5%</u>	<u>7.6%</u>	<u>8.1%</u>	<u>9.7%</u>	<u>9.0%</u>
% Over (Under)	<u>-54.1%</u>	<u>-11.1%</u>	<u>2.1%</u>	<u>-38.3%</u>	<u>-28.5%</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED FEBRUARY 2, 2020**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Twelve Months Ended</b>			<b>Return on Avg. Capital</b>
	<b>February 2, 2020 (1)</b>	<b>Average Capital Employed (2)</b>	<b>Employed (3)</b>	
Mattress Fabrics	\$ 10,391	\$ 73,455		14.1%
Upholstery Fabrics	11,155	20,739		53.8%
Home Accessories (less: Unallocated Corporate)	(1,548)	3,722		N.M.
	(8,970)	29,470		N.M.
<b>Total</b>	<b>\$ 11,028</b>	<b>\$ 127,386</b>		<b>8.7%</b>

	<b>As of the three Months Ended February 2, 2020</b>					<b>As of the three Months Ended November 3, 2019</b>					<b>As of the three Months Ended August 4, 2019</b>				
	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate Total</b>		<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate Total</b>		<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate Total</b>	
	<b>Fabrics</b>	<b>Fabrics</b>	<b>Accessories</b>	<b>Corporate</b>	<b>Total</b>	<b>Fabrics</b>	<b>Fabrics</b>	<b>Accessories</b>	<b>Corporate</b>	<b>Total</b>	<b>Fabrics</b>	<b>Fabrics</b>	<b>Accessories</b>	<b>Corporate</b>	<b>Total</b>
Total assets (4)	\$ 88,641	42,248	7,183	72,268	210,340	\$ 84,473	42,122	7,280	97,847	231,722	\$ 83,056	40,456	6,414	94,521	224,447
Total liabilities (5)	(10,464)	(18,097)	(4,074)	(17,609)	(50,244)	(14,079)	(22,711)	(2,732)	(26,278)	(65,800)	(11,854)	(20,352)	(2,301)	(25,604)	(60,111)
<b>Subtotal</b>	<b>\$ 78,177</b>	<b>\$ 24,151</b>	<b>\$ 3,109</b>	<b>\$ 54,659</b>	<b>\$ 160,096</b>	<b>\$ 70,394</b>	<b>\$ 19,411</b>	<b>\$ 4,548</b>	<b>\$ 71,569</b>	<b>\$ 165,922</b>	<b>\$ 71,202</b>	<b>\$ 20,104</b>	<b>\$ 4,113</b>	<b>\$ 68,917</b>	<b>\$ 164,336</b>
Less:															
Cash and cash equivalents	-	-	-	(21,872)	(21,872)	-	-	-	(47,183)	(47,183)	-	-	-	(44,236)	(44,236)
Short-term investments - Held-To-Maturity	-	-	-	(3,171)	(3,171)	-	-	-	-	-	-	-	-	-	-
Short-term investments - Available for Sale	-	-	-	(7,580)	(7,580)	-	-	-	-	-	-	-	-	-	-
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	(776)	(776)	-	-	-	(776)	(776)
Long-term investments - Rabbi Trust	-	-	-	(7,804)	(7,804)	-	-	-	(7,575)	(7,575)	-	-	-	(7,347)	(7,347)
Long-term investments - Held-to Maturity	-	-	-	(2,224)	(2,224)	-	-	-	-	-	-	-	-	-	-
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	(733)	(733)	-	-	-	(733)	(733)
Deferred income taxes - non-current	-	-	-	(920)	(920)	-	-	-	(511)	(511)	-	-	-	(486)	(486)
Income taxes payable - current	-	-	-	455	455	-	-	-	1,539	1,539	-	-	-	1,116	1,116
Income taxes payable - long-term	-	-	-	3,442	3,442	-	-	-	3,442	3,442	-	-	-	3,640	3,640
Deferred income taxes - non-current	-	-	-	2,013	2,013	-	-	-	3,283	3,283	-	-	-	2,543	2,543
Subordinated loan payable	-	-	-	925	925	-	-	-	925	925	-	-	-	925	925
Deferred compensation - non-current	-	-	-	7,637	7,637	-	-	-	7,429	7,429	-	-	-	7,232	7,232
<b>Total Capital Employed</b>	<b>\$ 78,177</b>	<b>\$ 24,151</b>	<b>\$ 3,109</b>	<b>\$ 24,051</b>	<b>\$ 129,488</b>	<b>\$ 70,394</b>	<b>\$ 19,411</b>	<b>\$ 4,548</b>	<b>\$ 31,409</b>	<b>\$ 125,762</b>	<b>\$ 71,202</b>	<b>\$ 20,104</b>	<b>\$ 4,113</b>	<b>\$ 30,795</b>	<b>\$ 126,214</b>

	<b>As of the three Months Ended April 28, 2019</b>					<b>As of the three Months Ended January 27, 2019</b>				
	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate Total</b>		<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate Total</b>	
	<b>Fabrics</b>	<b>Fabrics</b>	<b>Accessories</b>	<b>Corporate</b>	<b>Total</b>	<b>Fabrics</b>	<b>Fabrics</b>	<b>Accessories</b>	<b>Corporate</b>	<b>Total</b>
Total assets (4)	\$ 83,393	37,529	5,618	93,186	219,726	\$ 86,707	43,097	5,607	89,497	224,908
Total liabilities (5)	(10,996)	(18,114)	(2,215)	(24,154)	(55,479)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)
<b>Subtotal</b>	<b>\$ 72,397</b>	<b>\$ 19,415</b>	<b>\$ 3,403</b>	<b>\$ 69,032</b>	<b>\$ 164,247</b>	<b>\$ 75,103</b>	<b>\$ 20,614</b>	<b>\$ 3,439</b>	<b>\$ 68,076</b>	<b>\$ 167,232</b>
Less:										
Cash and cash equivalents	-	-	-	(40,008)	(40,008)	-	-	-	(26,418)	(26,418)
Short-term investments - Held-To-Maturity	-	-	-	(5,001)	(5,001)	-	-	-	(13,544)	(13,544)
Short-term investments - Available for Sale	-	-	-	-	-	-	-	-	-	-
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(7,081)	(7,081)	-	-	-	(6,834)	(6,834)
Long-term investments - Held-to Maturity	-	-	-	-	-	-	-	-	-	-
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(457)	(457)	-	-	-	(3,224)	(3,224)

Income taxes payable - current	-	-	-	1,022	1,022	-	-	-	642	642
Income taxes payable - long-term	-	-	-	3,249	3,249	-	-	-	3,294	3,294
Deferred income taxes - non-current	-	-	-	3,176	3,176	-	-	-	2,225	2,225
Subordinated loan payable	-	-	-	675	675	-	-	-	-	-
Deferred compensation - non-current	-	-	-	6,998	6,998	-	-	-	6,782	6,782

Total Capital Employed	<u>\$ 72,397</u>	<u>\$ 19,415</u>	<u>\$ 3,403</u>	<u>\$ 30,096</u>	<u>\$ 125,311</u>	<u>\$ 75,103</u>	<u>\$ 20,614</u>	<u>\$ 3,439</u>	<u>\$ 30,999</u>	<u>\$ 130,155</u>
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total					
Average Capital Employed (3)	<u>\$ 73,455</u>	<u>\$ 20,739</u>	<u>\$ 3,722</u>	<u>\$ 29,470</u>	<u>\$ 127,386</u>					

**Notes:**

- (1) See reconciliation per page 13 of this financial information release.
- (2) Average capital employed was computed using the five quarterly periods ending February 2, 2020, November 3, 2019, August 4, 2019, April 28, 2019, and January 27, 2019.
- (3) Return on average capital employed represents the last twelve months operating income as of February 2, 2020, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Held-To-Maturity, short-term investments - Available for Sale, long-term investments - Rabbi Trust, long-term investments-Held-To-Maturity, noncurrent deferred income tax assets and liabilities, income taxes receivable and payable, subordinated loan payable, and noncurrent deferred compensation
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no effect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments
- (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED JANUARY 27, 2019**  
**(Amounts in Thousands)**  
**(Unaudited)**

	Operating Income Twelve Months Ended	Average	Return on
		Capital Employed (2)	Avg. Capital Employed (3)
January 27, 2019 (1)			
Mattress Fabrics	\$ 14,995	\$ 77,132	19.4%
Upholstery Fabrics	11,229	19,945	56.3%
Home Accessories (less: Unallocated Corporate)	(255)	1,887	N.M.
	(6,605)	24,653	
<b>Total</b>	<b>\$ 19,364</b>	<b>\$ 123,617</b>	<b>15.7%</b>

Average Capital Employed	As of the three Months Ended January 27, 2019					As of the three Months Ended October 28, 2018					As of the three Months Ended July 29, 2018				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
	Total assets (4)	\$ 86,707	43,097	5,607	89,497	224,908	\$ 86,494	37,442	5,203	93,072	222,211	\$ 93,601	37,386	4,463	90,922
Total liabilities (5)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)
Subtotal	\$ 75,103	\$ 20,614	\$ 3,439	\$ 68,076	\$ 167,232	\$ 76,704	\$ 17,796	\$ 3,243	\$ 69,726	\$ 167,469	\$ 80,718	\$ 19,506	\$ 2,753	\$ 63,053	\$ 166,030
Less:															
Cash and cash equivalents	-	-	-	(26,418)	(26,418)	-	-	-	(14,768)	(14,768)	-	-	-	(8,593)	(8,593)
Short-term investments - Available-For- Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments - Held-To-Maturity	-	-	-	(13,544)	(13,544)	-	-	-	(26,719)	(26,719)	-	-	-	(30,756)	(30,756)
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(6,834)	(6,834)	-	-	-	(7,851)	(7,851)	-	-	-	(7,671)	(7,671)
Deferred income taxes - non- current	-	-	-	(3,224)	(3,224)	-	-	-	(3,614)	(3,614)	-	-	-	(3,721)	(3,721)
Deferred compensation - current	-	-	-	-	-	-	-	-	714	714	-	-	-	-	-
Income taxes payable - current	-	-	-	642	642	-	-	-	2,044	2,044	-	-	-	1,244	1,244
Income taxes payable - long- term	-	-	-	3,294	3,294	-	-	-	3,233	3,233	-	-	-	3,733	3,733
Deferred income taxes - non- current	-	-	-	2,225	2,225	-	-	-	2,225	2,225	-	-	-	2,150	2,150
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000	4,000
Deferred compensation - non-current	-	-	-	6,782	6,782	-	-	-	7,120	7,120	-	-	-	7,679	7,679
<b>Total Capital Employed</b>	<b>\$ 75,103</b>	<b>\$ 20,614</b>	<b>\$ 3,439</b>	<b>\$ 30,999</b>	<b>\$ 130,155</b>	<b>\$ 76,704</b>	<b>\$ 17,796</b>	<b>\$ 3,243</b>	<b>\$ 32,110</b>	<b>\$ 129,853</b>	<b>\$ 80,718</b>	<b>\$ 19,506</b>	<b>\$ 2,753</b>	<b>\$ 31,118</b>	<b>\$ 134,095</b>

	As of the three Months Ended April 29, 2018					As of the three Months Ended January 28, 2018				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
	Total assets (4)	\$ 95,061	39,812	-	83,111	217,984	\$ 93,827	43,458	-	79,559
Total liabilities (5)	(17,335)	(18,679)	-	(18,594)	(54,608)	(18,418)	(22,781)	-	(23,463)	(64,662)
Subtotal	\$ 77,726	\$ 21,133	\$ -	\$ 64,517	\$ 163,376	\$ 75,409	\$ 20,677	\$ -	\$ 56,096	\$ 152,182
Less:										
Cash and cash equivalents	-	-	-	(21,228)	(21,228)	-	-	-	(22,428)	(22,428)
Short-term investments - Available-For- Sale	-	-	-	(2,451)	(2,451)	-	-	-	(2,472)	(2,472)
Short-term investments - Held-To-Maturity	-	-	-	(25,759)	(25,759)	-	-	-	(17,206)	(17,206)
Long-term investments - Held-To-Maturity	-	-	-	(5,035)	(5,035)	-	-	-	(13,625)	(13,625)
Long-term investments - Rabbi Trust	-	-	-	(7,326)	(7,326)	-	-	-	(7,176)	(7,176)
Deferred income taxes - non- current	-	-	-	(1,458)	(1,458)	-	-	-	(1,942)	(1,942)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,437	1,437	-	-	-	1,580	1,580
Income taxes	-	-	-	3,758	3,758	-	-	-	10,940	10,940

payable - long-term										
Deferred income taxes - non-current	-	-	2,150	2,150	-	-		2,096	2,096	
Line of credit	-	-	-	-	-	-		-	-	
Deferred compensation - non-current	-	-	7,353	7,353	-	-		7,216	7,216	
<b>Total Capital Employed</b>	<b>\$ 77,726</b>	<b>\$ 21,133</b>	<b>\$ -</b>	<b>\$ 15,958</b>	<b>\$ 114,817</b>	<b>\$ 75,409</b>	<b>\$ 20,677</b>	<b>\$ -</b>	<b>\$ 13,079</b>	<b>\$ 109,165</b>
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total					
<b>Average Capital Employed (3)</b>	<b>\$ 77,132</b>	<b>\$ 19,945</b>	<b>\$ 1,887</b>	<b>\$ 24,653</b>	<b>\$ 123,617</b>					

**Notes:**

- (1) See reconciliation per page 13 of this financial information release.
- (2) Average capital employed was computed using the quarterly five periods ending January 27, 2019, October 28, 2018, July 29, 2018, April 29, 2018, and January 28, 2018.
- (3) Return on average capital employed represents the last twelve months operating income as of January 27, 2019, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Available-For-Sale, short-term investments Held-To-Maturity, long-term investments Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred income tax assets and liabilities, income taxes payable, line of credit, and current and noncurrent deferred compensation.
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no effect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.
- (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF OPERATING INCOME (LOSS)**  
**FOR THE TWELVE MONTHS ENDED FEBRUARY 2, 2020 AND JANUARY 27, 2019**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 2/2/2020
	4/28/2019	8/4/2019	11/3/2019	2/2/2020	
Mattress Fabrics	\$ 2,698	\$ 2,623	\$ 3,293	\$ 1,777	\$ 10,391
Upholstery Fabrics	1,777	2,875	3,473	3,030	11,155
Home Accessories	(479)	(538)	(350)	(181)	(1,548)
Unallocated Corporate	(2,037)	(2,306)	(2,433)	(2,194)	(8,970)
Subtotal	1,959	2,654	3,983	2,432	11,028
Asset Impairments	-	-	-	(13,639)	(13,639)
Reversal of contingent consideration - earn-out obligation	-	-	-	6,081	6,081
Restructuring credit	-	35	-	35	70
<b>Operating income</b>	<b>\$ 1,959</b>	<b>\$ 2,689</b>	<b>\$ 3,983</b>	<b>\$ (5,091)</b>	<b>\$ 3,540</b>

  

	Quarter Ended				Trailing 12 Months 1/27/2019
	4/29/2018	7/29/2018	10/28/2018	1/27/2019	
Mattress Fabrics	\$ 6,088	\$ 2,790	\$ 2,909	\$ 3,208	\$ 14,995
Upholstery Fabrics	2,181	2,527	2,722	3,799	11,229
Home Accessories	-	33	23	(311)	(255)
Unallocated Corporate	(1,805)	(1,259)	(1,913)	(1,628)	(6,605)
Subtotal	\$ 6,464	\$ 4,091	\$ 3,741	\$ 5,068	\$ 19,364
Other non-recurring charges	-	-	(248)	(429)	(677)
Restructuring (expense) credit and related charges	-	(2,016)	791	(340)	(1,565)
<b>Operating income</b>	<b>\$ 6,464</b>	<b>\$ 2,075</b>	<b>\$ 4,284</b>	<b>\$ 4,299</b>	<b>\$ 17,122</b>
<b>% Over (Under)</b>	<b>-69.7%</b>	<b>29.6%</b>	<b>-7.0%</b>	<b>-218.4%</b>	<b>-79.3%</b>