

CULP

# CULP, INC.

**NYSE: CULP**

**Second Quarter Fiscal 2022**

**Summary Financial Information**

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**December 1, 2021**

# SECOND QUARTER FISCAL 2022 FINANCIAL SUMMARY

- ✦ Net sales were \$74.6 million, down 3.0 percent over the prior-year period, with mattress fabrics sales up 2.1 percent and upholstery fabrics sales down 8.5 percent compared with the second quarter of last year.
- ✦ Income from operations (operating income) was \$1.6 million, compared with income from operations of \$4.5 million for the prior-year period.
- ✦ Net income was \$851,000, or \$0.07 per diluted share, compared with net income of \$2.4 million, or \$0.07 per diluted share, for the prior-year period.
- ✦ The company's financial position reflected total cash and investments of \$36.6 million and no outstanding borrowings as of the end of the second quarter. (See summary of cash and investments table at back of presentation.)
- ✦ The company announced a five percent increase in its quarterly cash dividend to 11.5 cents per share, commencing in the third quarter of fiscal 2022. At an annual indicated dividend of 46 cents per share, the yield is 4.34 percent, based upon the November 30, 2021, closing stock price of \$10.61 per share. Notably, this is the company's ninth straight year of increasing its annual dividend.
- ✦ The company repurchased 73,002 shares of Culp common stock during the second quarter of fiscal 2022, leaving approximately \$3.2 million available under the company's share repurchase program.

# SECOND QUARTER 2022 HIGHLIGHTS

(\$ in millions)

GAAP	Q2 FY22	Q2 FY21	Change	
			\$	%
Sales	\$74.6	\$76.9	\$(2.3)	(3.0)%
Operating income	\$1.6	\$4.5	\$(2.9)	(63.7)%
Operating income margin	2.2%	5.9%		(370) bp
Pre-tax income	\$1.3	\$3.9	\$(2.6)	(66.8)%
Pre-tax margin	1.7%	5.1%		(340) bp
Net income	\$0.9	\$2.4	\$(1.5)	(64.3)%
EPS per diluted share	\$0.07	\$0.19	\$(0.12)	(64.3)%

# SECOND QUARTER YTD 2022 HIGHLIGHTS

(\$ in millions)

GAAP	FY22 YTD	FY21 YTD	Change	
			\$	%
Sales	\$157.6	\$141.3	\$16.3	11.5%
Operating income	\$5.0	\$6.4	(\$1.4)	(22.5)%
Operating income margin	3.1%	4.5%		(140) bp
Pre-tax income	\$4.5	\$5.4	\$(0.9)	(17.9)%
Pre-tax margin	2.8%	3.8%		(100) bp
Net income (loss)	\$3.1	(\$0.3)*	\$3.4	NM
EPS per diluted share	\$0.25	(\$0.03)*	\$0.28	NM

\* Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results for the six-month period ending November 1, 2020, at the back of this presentation.

# Q2 SALES & OPERATING INCOME BRIDGES

(\$ in millions)

Sales	Change	
	\$	%
Q2 2021	\$76.9	
Mattress fabrics increase	0.9	2.1%
Upholstery fabrics decrease	(3.2)	(8.5)%
Q2 2022	\$74.6	(3.0)%

Operating Income	Change	
	\$	%
Q2 2021	\$4.5	
Mattress fabrics decrease	(1.2)	(28.4)%
Upholstery fabrics decrease	(2.3)	(68.7)%
Unallocated corporate expense decrease	0.6	(19.8)%
Q2 2022	\$1.6	(63.7)%

# Q2 YTD SALES & OPERATING INCOME BRIDGES

(\$ in millions)

Sales	Change	
	\$	%
Q2 YTD 2021	\$141.3	
Mattress fabrics increase	7.8	10.3%
Upholstery fabrics increase	8.5	13.0%
Q2 YTD 2022	\$157.6	11.5%

  

Operating Income	Change	
	\$	%
Q2 YTD 2021	\$6.4	
Mattress fabrics increase	0.5	8.4%
Upholstery fabrics decrease	(2.1)	(39.0)%
Unallocated corporate expense decrease	0.2	(2.7)%
Q2 YTD 2022	\$5.0	(22.5)%

# Q2 MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	Q2 FY22	Q2 FY21	Change	
			\$	%
Sales	\$40.9	\$40.0	\$0.9	2.1%
Operating Income	3.1	4.4	\$(1.3)	(28.4)%
Operating Income Margin	7.7%	10.9%		(320) bp
Depreciation	\$1.6	\$1.5	\$0.1	3.3%

# Q2 YTD MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	FY22	FY21	Change	
			\$	%
Sales	\$83.9	\$76.1	\$7.8	10.3%
Operating Income	6.8	6.2	\$0.6	8.4%
Operating Income Margin	8.0%	8.2%		(20) bp
Depreciation	\$3.1	\$3.1	(\$0.1)	(1.9)%



# Q2 MATTRESS FABRICS KEY POINTS

- ◆ Sales were up slightly over prior-year period and in line with expectations but were affected somewhat by customer supply chain constraints for non-fabric components and higher inventory levels for mattress fabrics and covers.
- ◆ Maintained focus on product innovation and creative designs and leveraged resilient manufacturing and sourcing platform.
- ◆ On-shore, near-shore, and off-shore supply chain strategy, as well as fabric-to-cover model, continues to provide a preferred platform that provides sewn mattress cover customers with the agility and value they need for their business.
- ◆ Operating performance was negatively affected by increased freight costs, raw material prices, and labor costs; unfavorable foreign currency fluctuations; inefficiencies due to labor shortages in the U.S. and Canada; and product mix.
- ◆ Market position remains solid with strong new placements and product developments for fiscal 2023.
- ◆ Focused on controlling costs, improving operating efficiencies, and managing inflation.
- ◆ Well positioned over the long term to sustain Culp's competitive advantage and extend market reach as external conditions improve.

# Q2 UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	Q2 FY22	Q2 FY22	Change	
			\$	%
Sales	\$33.7	\$36.8	\$(3.1)	(8.5)%
Operating Income	\$1.0	\$3.3	\$(2.3)	(68.7)%
Operating Income Margin	3.1%	8.9%		(580) bp
Depreciation	\$0.2	\$0.2	\$0.0	(9.3)%

# Q2 YTD UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	FY22	FY21	Change	
			\$	%
Sales	\$73.7	\$65.2	\$8.5	13.0%
Operating Income	3.3	5.4	\$(2.1)	(39.0)%
Operating Income Margin	4.5%	8.3%		(380) bp
Depreciation	\$0.4	\$0.4	\$0.0	(1.5)%

# Q2 UPHOLSTERY FABRICS KEY POINTS

- ◆ Sales affected by lower residential business primarily due to COVID-19-related shutdowns of sourcing partners and customers in Vietnam. Shutdowns have now been lifted with shipments resuming more normal levels in third quarter.
- ◆ Residential sales also pressured by customer supply chain constraints and labor shortages at their U.S. facilities, which reduced our ability to ship prepared fabric orders.
- ◆ Encouraged by recovery in hospitality business, led by hospitality/contract fabric business. Measurable improvement in Read Window Products business seen during last month of second quarter.
- ◆ Operating performance for second quarter was pressured by lower sales in residential business, as well as higher freight and raw material costs, start-up costs for new Haiti facility, unfavorable currency fluctuations in China, and lower contribution from Read Window Products.
- ◆ Implemented freight surcharge during second quarter, but due to continued rapid rise in operating costs, an additional price increase will be implemented in third quarter.
- ◆ Expect near-term challenges related to customer supply chain constraints and existing levels of fabric inventory for residential business, as well as rising freight and labor costs.
- ◆ Culp remains well positioned for the long term with product-driven strategy and innovative product line, including popular LiveSmart® performance products.
- ◆ Flexible Asian platform, addition of new Haiti platform, and long-term supplier relationships support continued growth as external conditions improve .

# FREE CASH FLOW\*

(\$ in millions)

	Q2 FY22 YTD	Q2 FY21 YTD
Net income	3.1	(0.3)
Depreciation, amortization, & stock-based compensation	4.4	4.2
Deferred taxes, other	(0.1)	5.0
Gross cash flow	7.4	8.9
Cash flow from working capital and changes in other assets/liabilities	(8.7)	13.8
Cash flow from operations	(1.3)	22.7
Capital expenditures, including payments that are vendor financed	(3.9)	(2.1)
Investment in unconsolidated joint venture	(0.0)	(0.1)
Other	(0.6)	(0.0)
Free cash flow	\$(5.8)	\$20.5

\* See reconciliation at the back of this presentation.

# RETURN ON CAPITAL\*

(\$ in millions)

	October 31, 2021	November 1, 2020
<b>Return on capital:</b>		
Mattress fabrics	17.1%	7.6%
Upholstery fabrics	59.5%	46.6%
Unallocated corporate	N/A	N/A
<b>Consolidated</b>	<b>11.8%</b>	<b>5.0%</b>
<b>Ending Capital Employed:</b>		
Mattress fabrics	\$ 78.2	\$ 61.6
Upholstery fabrics	\$ 18.7	\$ 17.0
Unallocated corporate	\$ 2.6	\$ 2.3
<b>Consolidated</b>	<b>\$99.5</b>	<b>\$ 80.9</b>

\* See reconciliation at the back of this presentation.

# ADJUSTED EBITDA

## Reconciliation of Net Income to Adjusted EBITDA

CULP, INC.  
 CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA  
 FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2021, AND NOVEMBER 1, 2020  
 Unaudited  
 (Amounts in Thousands)

	Quarter Ended January 31, 2021	Quarter Ended May 2, 2021	Quarter Ended August 1, 2021	Quarter Ended October 31, 2021	Trailing 12 Months October 31, 2021
Net income	\$ 2,082	\$ 1,485	\$ 2,250	\$ 851	\$ 6,668
Income tax expense	899	857	905	444	3,105
Interest income, net	(90)	(36)	(74)	(59)	(259)
Gain on bargain purchase	—	(819)	—	—	(819)
Depreciation expense	1,665	1,643	1,726	1,745	6,779
Amortization expense	115	116	121	146	498
Stock based compensation	292	485	274	435	1,486
Adjusted EBITDA	\$ 4,963	\$ 3,731	\$ 5,202	\$ 3,562	\$ 17,458
% Net Sales	6.3%	4.7%	6.3%	4.8%	5.5%

	Quarter Ended February 2, 2020	Quarter Ended May 3, 2020	Quarter Ended August 2, 2020	Quarter Ended November 1, 2020	Trailing 12 Months November 1, 2020
Net (loss) income	\$ (4,207)	\$ (27,825)	\$ (2,733)	\$ 2,384	\$ (32,381)
Loss before income taxes from discontinued operation	7,824	8,698	—	—	16,522
Income tax expense (benefit) from continuing operations	1,619	(2,237)	4,324	1,613	5,319
Interest income, net	(258)	(37)	(7)	(59)	(361)
Asset impairments from continuing operations	—	13,712	—	—	13,712
Restructuring credit	(35)	—	—	—	(35)
Depreciation expense - continuing operations	1,891	1,882	1,822	1,716	7,311
Amortization expense - continuing operations	102	117	118	117	454
Stock based compensation	364	(199)	126	348	639
Adjusted EBITDA	\$ 7,300	\$ (5,889)	\$ 3,650	\$ 6,119	\$ 11,180
% Net Sales	10.7%	(12.4)%	5.7%	8.0%	4.3%
% Over (Under)	(32.0)%	N.M.	42.5%	(41.8)%	56.2%

# OPERATING WORKING CAPITAL

(\$ in millions)

	Oct 31, 2022	May 2, 2021	Nov 1, 2021
Accounts receivable, net	\$32.3	\$37.7	\$33.0
Inventories, net	63.8	55.9	47.7
Accounts payable	(40.5)	(42.5)	(38.2)
Accounts payable – capital expenditures	(0.2)	(0.3)	(0.1)
Operating working capital	\$55.4	\$50.8	\$42.4
Percent of sales*	17.6%	16.9%	15.0%
Days sales outstanding	38.6	42.8	38.6
Inventory turns	4.2	4.8	5.6
Days accounts payable outstanding**	57.8	58.0	55.7

\* Sales used in the calculation is an annualized amount derived from the year-to-date net sales.

\*\* Accounts payable also includes accounts payable – capital expenditures.



# NET CASH, INVESTMENTS, AND EQUITY

(\$ and share amounts in millions)

	Q2 FY22	Q4 FY21	Q2 FY21
Cash and cash equivalents	\$17.0	\$37.0	\$45.3
Short-term investments (Available for Sale)	9.7	5.6	5.4
Short-term investments (Held-to-Maturity)	1.6	3.2	5.0
Long-term investments (Held-to-Maturity)	8.4	1.1	0.8
<b>Total cash and investments</b>	<b>\$36.6</b>	<b>\$46.9</b>	<b>\$56.5</b>
<b>Total debt</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$0.0</b>
<b>Net cash and investments</b>	<b>\$36.6</b>	<b>\$46.9</b>	<b>\$56.5</b>
Shareholders' equity attributable to Culp, Inc.	\$128.5	\$129.0	\$127.3
Shares outstanding	12,210	12,313	12,303
Book value per share	\$10.52	\$10.48	\$10.34
Tangible Book value per share	\$10.29	\$10.23	\$10.08

CULP

# CULP, INC.

**NYSE:CULP**

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# FORWARD LOOKING STATEMENTS

*This presentation 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,” “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, public health epidemics, or future developments. There can be no assurance that we will realize these expectations or meet our 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 or 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, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, 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. Increases in freight costs, labor costs, and raw material prices, including increases in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Finally, disruption in our customers’ supply chains for non-fabric components may cause declines in new orders and/or delayed shipping of existing orders while our customers wait for other components, which could adversely affect our financial results. 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 most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.*

# ABOUT NON-GAAP FINANCIAL INFORMATION

*This presentation contains adjusted income statement information, which discloses adjusted net income (loss) and adjusted earnings per share, non-GAAP performance measures that eliminate a non-cash income tax charge in connection with the recordation of a full valuation allowance against the company's U.S. net deferred income tax assets, as well as a non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with the recently enacted final regulations regarding the Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017. The company has included this adjusted information in order to show operational performance excluding the effects of this non-cash income tax charge and non-cash income tax benefit, 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 back of this presentation. Management believes this presentation aids in the comparison of financial results among comparable financial periods. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income or earnings per share calculated in accordance with GAAP. In addition, the calculation of the company's income taxes involves numerous estimates and assumptions, which we have made in good faith.*

*This presentation contains 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, plus any proceeds from sale of property, plant, and equipment, less investment in unconsolidated joint venture, plus proceeds from life insurance policies, less premium payments on life insurance policies, less payments on vendor-financed capital expenditures, plus proceeds from the sale of long-term investments associated with our rabbi trust, less the purchase of long-term investments associated with our rabbi trust, and plus or minus the effects of foreign currency exchange rate changes on cash and cash equivalents, in each case to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. 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, additions to cash and investments, or other corporate purposes. 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.*

## ABOUT NON-GAAP FINANCIAL INFORMATION (2)

*This presentation contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net income (loss) excluding loss before income taxes from discontinued operations, income tax expense (benefit) from continuing operations, and net interest income, as well as depreciation and amortization expense from continuing operations, and stock-based compensation expense. This measure also excludes asset impairment charges from continuing operations, gain on bargain purchase, 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 this presentation. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest income and expense, 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.*

*The presentation contains disclosures about return on capital for both the entire company and for individual business segments. We define return on capital as adjusted operating income (loss) (measured on a trailing twelve-month basis and excluding certain non-recurring charges and credits) divided by average capital employed (excluding goodwill and intangibles and obligations related to acquisitions at the divisional level only). Operating income (loss) excludes certain non-recurring charges, 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 at the back of this presentation. 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-month 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.*

# RECONCILIATION OF FREE CASH FLOW

**RECONCILIATION OF FREE CASH FLOW  
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2021,  
AND NOVEMBER 1, 2020  
Unaudited  
(Amounts in Thousands)**

Reconciliation of Free Cash Flow (1):

	FY 2022	FY 2021
A) Net cash (used in) provided by operating activities	\$ (1,328)	22,703
B) Minus: Capital Expenditures	(3,901)	(2,041)
C) Plus: Proceeds from the sale of equipment	—	12
D) Minus: Investment in unconsolidated joint venture	—	(90)
E) Plus: Proceeds from the sale of long-term investments (rabbi trust)	—	77
F) Minus: Purchase of long-term investments (rabbi trust)	(580)	(257)
G) Effects of exchange rate changes on cash and cash equivalents	(2)	95
Free Cash Flow	<u>\$ (5,811)</u>	<u>20,499</u>

# Q2 YTD RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

## CULP, INC.

### RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS FOR THE SIX MONTHS ENDED NOVEMBER 1, 2020

Unaudited

(Amounts in Thousands, Except for Per Share Data)

	As Reported November 1, 2020	Adjustments	November 1, 2020 Adjusted Results
Income before income taxes	\$ 5,421	—	5,421
Income tax expense (1)	(5,937)	4,099	(1,838)
Income from investment in unconsolidated joint venture	167	—	167
Net (loss) income	\$ (349)	4,099	3,750
Net (loss) income per share - basic	\$ (0.03)		\$ 0.31
Net (loss) income per share - diluted	\$ (0.03)		\$ 0.30
Average shares outstanding-basic	12,293		12,293
Average shares outstanding-diluted	12,293		12,305

#### Notes

- (1) The \$4.1 million adjustment represents a \$7.6 million non-cash income tax charge to record a full valuation allowance against the company's U.S. net deferred income tax assets, partially offset by a \$3.5 million non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with U.S. Treasury regulations enacted during our first quarter of fiscal 2021 regarding Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017.

# Q2 FY22 RETURN ON CAPITAL EMPLOYED BY SEGMENT

	Adjusted Operating Income Twelve Months Ended October 31, 2021 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 12,321	\$ 71,960	17.1%
Upholstery Fabrics	9,771	16,417	58.5%
Unallocated Corporate	(11,458)	1,543	N.M.
<b>Total</b>	<b>\$ 10,634</b>	<b>\$ 89,919</b>	<b>11.8%</b>

Average Capital Employed	As of the three Months Ended October 31, 2021				As of the three Months Ended August 1, 2021				As of the three Months Ended May 2, 2021			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 96,960	59,330	53,035	209,325	\$ 96,416	55,617	60,215	212,248	\$ 97,431	54,305	62,344	214,080
Total liabilities	(18,818)	(40,629)	(21,424)	(80,871)	(21,298)	(39,983)	(21,418)	(82,699)	(22,410)	(38,709)	(23,955)	(85,074)
Subtotal	\$ 78,142	\$ 18,701	\$ 31,611	\$ 128,454	\$ 75,118	\$ 15,634	\$ 38,797	\$ 129,549	\$ 75,021	\$ 15,596	\$ 38,389	\$ 129,006
Cash and cash equivalents	—	—	(16,956)	(16,956)	—	—	(26,061)	(26,061)	—	—	(37,009)	(37,009)
Short-term investments - Available-For-Sale	—	—	(9,709)	(9,709)	—	—	(9,698)	(9,698)	—	—	(5,542)	(5,542)
Short-term investments - Held-To-Maturity	—	—	(1,564)	(1,564)	—	—	(1,661)	(1,661)	—	—	(3,161)	(3,161)
Current income taxes receivable	—	—	(613)	(613)	—	—	(524)	(524)	—	—	—	—
Long-term investments - Held-To-Maturity	—	—	(8,353)	(8,353)	—	—	(6,629)	(6,629)	—	—	(1,141)	(1,141)
Long-term investments - Rabbi Trust	—	—	(9,036)	(9,036)	—	—	(8,841)	(8,841)	—	—	(8,415)	(8,415)
Deferred income taxes - non-current	—	—	(452)	(452)	—	—	(455)	(455)	—	—	(545)	(545)
Income taxes payable - current	—	—	646	646	—	—	253	253	—	—	229	229
Income taxes payable - long-term	—	—	3,099	3,099	—	—	3,365	3,365	—	—	3,326	3,326
Deferred income taxes - non-current	—	—	4,918	4,918	—	—	4,917	4,917	—	—	5,330	5,330
Deferred compensation	—	—	9,017	9,017	—	—	8,795	8,795	—	—	8,365	8,365
<b>Total Capital Employed</b>	<b>\$ 78,142</b>	<b>\$ 18,701</b>	<b>\$ 2,608</b>	<b>\$ 99,451</b>	<b>\$ 75,118</b>	<b>\$ 15,634</b>	<b>\$ 2,258</b>	<b>\$ 93,010</b>	<b>\$ 75,021</b>	<b>\$ 15,596</b>	<b>\$ (174)</b>	<b>\$ 90,443</b>

	As of the three Months Ended January 31, 2021				As of the three Months Ended November 1, 2020			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 91,412	53,233	67,333	211,978	\$ 83,237	47,267	72,272	202,776
Total liabilities	(21,503)	(38,061)	(24,052)	(83,616)	(21,628)	(30,287)	(23,610)	(75,525)
Subtotal	\$ 69,909	\$ 15,172	\$ 43,281	\$ 128,362	\$ 61,609	\$ 16,980	\$ 48,662	\$ 127,251
Cash and cash equivalents	—	—	(35,987)	(35,987)	—	—	(45,288)	(45,288)
Short-term investments - Available-For-Sale	—	—	(5,548)	(5,548)	—	—	(5,462)	(5,462)
Short-term investments - Held-To-Maturity	—	—	(9,785)	(9,785)	—	—	(5,005)	(5,005)
Long-term investments - Held-To-Maturity	—	—	(512)	(512)	—	—	(759)	(759)
Long-term investments - Rabbi Trust	—	—	(8,232)	(8,232)	—	—	(8,060)	(8,060)
Deferred income taxes - non-current	—	—	(640)	(640)	—	—	(545)	(545)
Income taxes payable - current	—	—	1,129	1,129	—	—	1,413	1,413
Income taxes payable - long-term	—	—	3,325	3,325	—	—	3,325	3,325
Deferred income taxes - non-current	—	—	5,543	5,543	—	—	6,089	6,089
Deferred compensation	—	—	8,179	8,179	—	—	8,000	8,000
<b>Total Capital Employed</b>	<b>\$ 69,909</b>	<b>\$ 15,172</b>	<b>\$ 753</b>	<b>\$ 85,834</b>	<b>\$ 61,609</b>	<b>\$ 16,980</b>	<b>\$ 2,270</b>	<b>\$ 80,859</b>

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 71,960</b>	<b>\$ 16,417</b>	<b>\$ 1,543</b>	<b>\$ 89,919</b>

## Notes

- (1) See last page of this presentation for calculation.
- (2) Return on average capital employed represents the last twelve months operating income as of October 31, 2021, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments - Rabbi Trust, income taxes receivable and payable, noncurrent deferred income tax assets and liabilities, and deferred compensation.
- (3) Average capital employed was computed using the five quarterly periods ending October 31, 2021, August 1, 2021, May 2, 2021, January 31, 2021, and November 1, 2020.
- (4) Intangible assets 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 and upholstery fabrics segments.



# Q2 FY21 RETURN ON CAPITAL EMPLOYED BY SEGMENT

	Adjusted Operating Income Twelve Months Ended November 1, 2020 (1)		Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$	5,241	\$ 69,290	7.6%
Upholstery Fabrics		8,920	19,133	46.6%
Unallocated Corporate		(9,353)	8,166	N.M.
<b>Total</b>	<b>\$</b>	<b>4,808</b>	<b>\$ 96,589</b>	<b>5.0%</b>

Average Capital Employed	As of the three Months Ended November 1, 2020				As of the three Months Ended August 2, 2020				As of the three Months Ended May 3, 2020			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 83,237	\$ 47,267	\$ 72,272	\$ 202,776	\$ 79,016	\$ 41,239	\$ 64,332	\$ 184,587	\$ 82,060	\$ 38,617	\$ 94,507	\$ 215,084
Total liabilities (5)	(21,628)	(30,287)	(23,610)	(75,525)	(14,444)	(23,644)	(20,630)	(58,718)	(9,239)	(20,908)	(55,239)	(85,386)
Subtotal	\$ 61,609	\$ 16,980	\$ 48,662	\$ 127,251	\$ 64,572	\$ 17,595	\$ 43,702	\$ 125,869	\$ 72,821	\$ 17,609	\$ 39,268	\$ 129,698
Cash and cash equivalents	—	—	(45,288)	(45,288)	—	—	(39,986)	(39,986)	—	—	(69,790)	(69,790)
Short-term investments – Available-For-Sale	—	—	(5,462)	(5,462)	—	—	(983)	(983)	—	—	(923)	(923)
Short-term investments – Held-To-Maturity	—	—	(5,005)	(5,005)	—	—	(5,092)	(5,092)	—	—	(4,271)	(4,271)
Current income taxes receivable	—	—	—	—	—	—	(782)	(782)	—	—	(1,585)	(1,585)
Long-term investments – Held-To-Maturity	—	—	(759)	(759)	—	—	(1,314)	(1,314)	—	—	(2,076)	(2,076)
Long-term investments – Rabbi Trust	—	—	(8,060)	(8,060)	—	—	(7,916)	(7,916)	—	—	(7,834)	(7,834)
Deferred income taxes - non-current	—	—	(645)	(645)	—	—	(593)	(593)	—	—	(793)	(793)
Line of credit - China operations	—	—	—	—	—	—	—	—	—	—	1,015	1,015
Paycheck Protection Program Loan	—	—	—	—	—	—	—	—	—	—	7,606	7,606
Income taxes payable - current	—	—	1,413	1,413	—	—	613	613	—	—	395	395
Line of credit - U.S. operations	—	—	—	—	—	—	—	—	—	—	29,750	29,750
Income taxes payable - long-term	—	—	3,325	3,325	—	—	3,591	3,591	—	—	3,796	3,796
Deferred income taxes - non-current	—	—	6,089	6,089	—	—	5,311	5,311	—	—	1,818	1,818
Deferred compensation	—	—	8,000	8,000	—	—	7,869	7,869	—	—	7,720	7,720
<b>Total Capital Employed</b>	<b>\$ 61,609</b>	<b>\$ 16,980</b>	<b>\$ 2,270</b>	<b>\$ 80,859</b>	<b>\$ 64,572</b>	<b>\$ 17,595</b>	<b>\$ 4,420</b>	<b>\$ 86,587</b>	<b>\$ 72,821</b>	<b>\$ 17,609</b>	<b>\$ 4,096</b>	<b>\$ 94,526</b>

	As of the three Months Ended February 2, 2020				As of the three Months Ended November 3, 2019			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 88,641	\$ 42,248	\$ 81,291	\$ 212,140	\$ 84,473	\$ 43,313	\$ 105,736	\$ 233,522
Total liabilities (5)	(11,586)	(16,179)	(22,273)	(50,044)	(14,079)	(23,902)	(29,619)	(67,600)
Subtotal	\$ 77,055	\$ 24,069	\$ 58,972	\$ 160,096	\$ 70,394	\$ 19,411	\$ 76,117	\$ 165,922
Cash and cash equivalents	—	—	(21,640)	(21,640)	—	—	(46,955)	(46,955)
Short-term investments – Available for Sale	—	—	(7,580)	(7,580)	—	—	—	—
Short-term investments – Held-To-Maturity	—	—	(3,171)	(3,171)	—	—	—	—
Current income taxes receivable	—	—	(776)	(776)	—	—	(776)	(776)
Current assets - Discontinued Operation	—	—	(4,738)	(4,738)	—	—	(4,760)	(4,760)
Long-term investments – Held-To-Maturity	—	—	(2,224)	(2,224)	—	—	—	—
Long-term investments - Rabbi Trust	—	—	(7,804)	(7,804)	—	—	(7,675)	(7,675)
Noncurrent income taxes receivable	—	—	(733)	(733)	—	—	(733)	(733)
Deferred income taxes - non-current	—	—	(920)	(920)	—	—	(511)	(511)
Long-term note receivable affiliated with discontinued operation	—	—	(1,800)	(1,800)	—	—	(1,800)	(1,800)
Noncurrent assets - Discontinued Operation	—	—	(9,241)	(9,241)	—	—	(22,950)	(22,950)
Current liabilities - Discontinued Operation	—	—	2,094	2,094	—	—	1,907	1,907
Income taxes payable - current	—	—	455	455	—	—	1,539	1,539
Contingent consideration affiliated with discontinued operation	—	—	—	—	—	—	6,006	6,006
Income taxes payable - long-term	—	—	3,442	3,442	—	—	3,442	3,442
Deferred income taxes - non-current	—	—	2,013	2,013	—	—	3,283	3,283
Deferred compensation	—	—	7,637	7,637	—	—	7,429	7,429
Noncurrent liabilities - Discontinued Operation	—	—	3,501	3,501	—	—	3,560	3,560
Non-controlling interest - Discontinued Operation	—	—	(253)	(253)	—	—	(4,402)	(4,402)
<b>Total Capital Employed</b>	<b>\$ 77,055</b>	<b>\$ 24,069</b>	<b>\$ 17,234</b>	<b>\$ 118,358</b>	<b>\$ 70,394</b>	<b>\$ 19,411</b>	<b>\$ 12,811</b>	<b>\$ 102,616</b>

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 69,290	\$ 19,133	\$ 8,166	\$ 96,589

Notes

- (1) See last page of this presentation for calculation.
- (2) Return on average capital employed represents the last twelve months operating income as of November 1, 2020 divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments-Rabbi Trust, income taxes receivable and payable, noncurrent deferred income tax assets and liabilities, deferred compensation, lines of credit associated with our U.S. and China operations, Paycheck Protection Program loan, long-term note receivable affiliated with discontinued operation, current and noncurrent assets-Discontinued Operation, current and non-current liabilities-Discontinued Operation, contingent consideration affiliated with discontinued operation, and non-controlling interest-Discontinued Operation.
- (3) Average capital employed was computed using the five quarterly periods ending November 1, 2020, August 2, 2020, May 3, 2020, February 2, 2020, and November 2, 2019.
- (4) Intangible assets and goodwill 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 and upholstery fabrics segments.
- (5) Accrued restructuring costs and certain obligations associated with an acquisition 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 and upholstery fabrics segments.

# CONSOLIDATED STATEMENTS OF ADJUSTED INCOME

**CULP INC.**  
**CONSOLIDATED STATEMENTS OF ADJUSTED OPERATING INCOME (LOSS)**  
**FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2021, AND NOVEMBER 1, 2020**  
**Unaudited**  
**(Amounts in Thousands)**



	Quarter Ended				Trailing 12 Months 10/31/2021
	1/31/2021	5/2/2021	8/1/2021	10/31/2021	
<b>Mattress Fabrics</b>	\$ 3,297	\$ 2,274	\$ 3,611	\$ 3,139	\$ 12,321
<b>Upholstery Fabrics</b>	3,863	2,613	2,267	1,028	9,771
<b>Unallocated Corporate</b>	(3,123)	(3,248)	(2,560)	(2,527)	(11,458)
<b>Adjusted Operating income</b>	<u>\$ 4,037</u>	<u>\$ 1,639</u>	<u>\$ 3,318</u>	<u>\$ 1,640</u>	<u>\$ 10,634</u>

	Quarter Ended				Trailing 12 Months 11/1/2020
	2/2/2020	5/3/2020	8/2/2020	11/1/2020	
<b>Mattress Fabrics</b>	\$ 1,778	\$ (2,764)	\$ 1,845	\$ 4,382	\$ 5,241
<b>Upholstery Fabrics</b>	3,030	490	2,113	3,287	8,920
<b>Unallocated Corporate</b>	(2,119)	(2,008)	(2,075)	(3,151)	(9,353)
<b>Subtotal</b>	<u>\$ 2,689</u>	<u>\$ (4,282)</u>	<u>\$ 1,883</u>	<u>\$ 4,518</u>	<u>\$ 4,808</u>
<b>Asset Impairments</b>	—	(13,712)	—	—	(13,712)
<b>Restructuring credit</b>	35	—	—	—	35
<b>Adjusted Operating income (loss)</b>	<u>\$ 2,724</u>	<u>\$ (17,994)</u>	<u>\$ 1,883</u>	<u>\$ 4,518</u>	<u>\$ (8,869)</u>
<b>% Over (Under)</b>	<u>48.2%</u>	<u>(109.1)%</u>	<u>76.2%</u>	<u>(63.7)%</u>	<u>N.M.</u>