

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

**For the quarterly period ended November 2, 2025
Commission File No. 1-12597**

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or other organization)

**410 W. English Road 5th Floor
High Point, North Carolina**
(Address of principal executive offices)

56-1001967
(I.R.S. Employer
Identification No.)

27262
(zip code)

(336) 889-5161

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
Common Stock, par value \$.05/ Share	CULP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period after the registrant was required to submit such files). ☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ YES ☒ NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

Common shares outstanding as of December 10, 2025: 12,662,784
Par Value: \$0.05 per share

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For the period ended November 2, 2025

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Item 1: Financial Statements

CULP, INC.
CONSOLIDATED STATEMENTS OF NET LOSS
FOR THE THREE MONTHS ENDED NOVEMBER 2, 2025, AND OCTOBER 27, 2024
UNAUDITED
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED	
	November 2, 2025	October 27, 2024
Net sales	\$ 53,202	\$ 55,674
Cost of sales	(47,420)	(49,684)
Gross profit	5,782	5,990
Selling, general and administrative expenses	(8,738)	(9,359)
Restructuring expense	(499)	(2,031)
Loss from operations	(3,455)	(5,400)
Interest expense	(199)	(30)
Interest income	249	244
Other expense	(694)	(508)
Loss before income taxes	(4,099)	(5,694)
Income tax (expense) benefit	(207)	50
Net loss	\$ (4,306)	\$ (5,644)
Net loss per share - basic	\$ (0.34)	\$ (0.45)
Net loss per share - diluted	\$ (0.34)	\$ (0.45)
Average shares outstanding, basic	12,629	12,513
Average shares outstanding, diluted	12,629	12,513

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF NET LOSS
FOR THE SIX MONTHS ENDED NOVEMBER 2, 2025, AND OCTOBER 27, 2024
UNAUDITED
(Amounts in Thousands, Except for Per Share Data)

	SIX MONTHS ENDED	
	November 2, 2025	October 27, 2024
Net sales	\$ 103,893	\$ 112,211
Cost of sales	(90,883)	(101,145)
Gross profit	13,010	11,066
Selling, general and administrative expenses	(17,858)	(18,655)
Restructuring credit (expense)	3,010	(4,662)
Loss from operations	(1,838)	(12,251)
Interest expense	(381)	(58)
Interest income	483	507
Other expense	(1,225)	(913)
Loss before income taxes	(2,961)	(12,715)
Income tax expense	(1,576)	(190)
Net loss	\$ (4,537)	\$ (12,905)
Net loss per share - basic	\$ (0.36)	\$ (1.03)
Net loss per share - diluted	\$ (0.36)	\$ (1.03)
Average shares outstanding, basic	12,598	12,491
Average shares outstanding, diluted	12,598	12,491

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 2, 2025, AND OCTOBER 27, 2024
UNAUDITED
(Amounts in Thousands)

	THREE MONTHS ENDED	
	November 2, 2025	October 27, 2024
Net loss	\$ (4,306)	\$ (5,644)
Unrealized holding gain on investments, net of tax	85	23
Comprehensive loss	<u>\$ (4,221)</u>	<u>\$ (5,621)</u>

	SIX MONTHS ENDED	
	November 2, 2025	October 27, 2024
Net loss	\$ (4,537)	\$ (12,905)
Unrealized holding gain on investments, net of tax	227	103
Comprehensive loss	<u>\$ (4,310)</u>	<u>\$ (12,802)</u>

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
NOVEMBER 2, 2025, OCTOBER 27, 2024, AND APRIL 27, 2025
UNAUDITED
(Amounts in Thousands)

	November 2, 2025	October 27, 2024	April 27, 2025*
Current assets:			
Cash and cash equivalents	\$ 10,728	\$ 10,531	\$ 5,629
Short-term investments - rabbi trust	1,415	919	1,325
Accounts receivable, net	20,642	22,330	21,844
Inventories	49,941	45,132	49,309
Short-term notes receivable	5,017	522	280
Current income taxes receivable	—	979	—
Assets held for sale	124	3,301	2,177
Other current assets	2,493	3,187	2,970
Total current assets	90,360	86,901	83,534
Property, plant and equipment, net	22,388	26,510	24,836
Right of use assets	4,024	4,239	5,908
Intangible assets	771	1,688	960
Long-term investments - rabbi trust	5,637	7,105	5,722
Long-term notes receivable	1,011	1,324	1,182
Deferred income taxes	465	559	637
Other assets	593	661	591
Total assets	\$ 125,249	\$ 128,987	\$ 123,370
Current liabilities:			
Lines of credit - current	\$ 11,257	\$ 4,074	\$ 8,114
Accounts payable - trade	29,663	32,373	27,323
Accounts payable - capital expenditures	38	602	23
Operating lease liability - current	1,609	1,108	2,394
Deferred compensation - current	1,415	919	1,325
Deferred revenue	889	1,129	422
Accrued expenses	5,203	6,196	5,333
Accrued restructuring	283	863	610
Income taxes payable - current	899	1,165	1,420
Total current liabilities	51,256	48,429	46,964
Line of credit - long-term	7,025	—	4,600
Operating lease liability - long-term	1,477	1,958	2,535
Income taxes payable - long-term	845	1,378	790
Deferred income taxes	5,395	6,624	5,155
Deferred compensation - long-term	5,664	6,975	5,686
Total liabilities	71,662	65,364	65,730
Commitments and Contingencies (Notes 11, 17, and 18)			
Shareholders' equity			
Preferred stock, \$0.05 par value, authorized 10,000,000	—	—	—
Common stock, \$0.05 par value, authorized 40,000,000 shares, issued and outstanding 12,662,784 at November 2, 2025; 12,559,129 at October 27, 2024 and 12,559,129 at April 27, 2025	633	628	628
Capital contributed in excess of par value	45,841	45,303	45,589
Accumulated earnings	6,736	17,471	11,273
Accumulated other comprehensive income	377	221	150
Total shareholders' equity	53,587	63,623	57,640
Total liabilities and shareholders' equity	\$ 125,249	\$ 128,987	\$ 123,370

* Derived from audited consolidated financial statements.

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED NOVEMBER 2, 2025, AND OCTOBER 27, 2024
UNAUDITED
(Amounts in Thousands)

	SIX MONTHS ENDED	
	November 2, 2025	October 27, 2024
Cash flows from operating activities:		
Net loss	\$ (4,537)	\$ (12,905)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,168	3,077
Non-cash inventory charge (credit)	976	(309)
Amortization	192	200
Stock-based compensation	333	364
Deferred income taxes	412	204
Gain on sale of equipment	(4)	(27)
Realized gain on sale of investments (rabbi trust)	(3)	—
Non-cash restructuring (credit) expense	(3,601)	2,178
Foreign currency exchange loss	518	237
Changes in assets and liabilities:		
Accounts receivable	1,240	(1,162)
Inventories	(1,512)	117
Other current assets	494	194
Other assets	104	107
Accounts payable – trade	2,065	6,506
Deferred revenue	467	(366)
Accrued restructuring	(328)	875
Accrued expenses and deferred compensation	376	(738)
Income taxes	(526)	(1,185)
Net cash used in operating activities	(1,166)	(2,633)
Cash flows from investing activities:		
Capital expenditures	(218)	(1,578)
Proceeds from the sale of property, plant, and equipment	979	527
Proceeds from notes receivable	180	180
Proceeds from the sale of investments (rabbi trust)	479	462
Purchase of investments (rabbi trust)	(254)	(378)
Net cash provided by (used in) investing activities	1,166	(787)
Cash flows from financing activities:		
Proceeds from lines credit	8,049	4,010
Payments on lines of credit	(2,715)	—
Payment of debt issuance costs	(169)	—
Common stock surrendered for withholding taxes payable	(76)	(68)
Net cash provided by financing activities	5,089	3,942
Effect of foreign currency exchange rate changes on cash and cash equivalents	10	(3)
Increase in cash and cash equivalents	5,099	519
Cash and cash equivalents at beginning of year	5,629	10,012
Cash and cash equivalents at end of period	\$ 10,728	\$ 10,531

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED NOVEMBER 2, 2025
UNAUDITED
(Dollars in thousands, except share data)

	Common Stock		Capital Contributed in Excess of Par Value	Accumulated Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance, April 27, 2025 *	12,559,129	\$ 628	\$ 45,589	\$ 11,273	\$ 150	\$ 57,640
Net loss	—	—	—	(231)	—	(231)
Stock-based compensation	—	—	156	—	—	156
Unrealized gain on investments	—	—	—	—	142	142
Common stock issued in connection with the vesting of time-based restricted stock units	59,352	3	(3)	—	—	—
Common stock surrendered in connection with payroll withholding taxes	(13,175)	(1)	(59)	—	—	(60)
Balance, August 3, 2025	12,605,306	\$ 630	\$ 45,683	\$ 11,042	\$ 292	\$ 57,647
Net loss	—	—	—	(4,306)	—	(4,306)
Stock-based compensation	—	—	177	—	—	177
Unrealized gain on investments	—	—	—	—	85	85
Common stock issued in connection with the vesting of time-based restricted stock units	61,178	3	(3)	—	—	—
Common stock surrendered in connection with payroll withholding taxes	(3,700)	—	(16)	—	—	(16)
Balance, November 2, 2025	12,662,784	\$ 633	\$ 45,841	\$ 6,736	\$ 377	\$ 53,587

* Derived from audited consolidated financial statements.

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED OCTOBER 27, 2024
UNAUDITED
(Dollars in thousands, except share data)

	Common Stock		Capital Contributed in Excess of Par Value	Accumulated Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance, April 28, 2024 *	12,469,903	\$ 624	\$ 45,011	\$ 30,376	\$ 118	\$ 76,129
Net loss	—	—	—	(7,261)	—	(7,261)
Stock-based compensation	—	—	176	—	—	176
Unrealized gain on investments	—	—	—	—	80	80
Balance, July 28, 2024	12,469,903	\$ 624	\$ 45,187	\$ 23,115	\$ 198	\$ 69,124
Net loss	—	—	—	(5,644)	—	(5,644)
Stock-based compensation	—	—	188	—	—	188
Unrealized gain on investments	—	—	—	—	23	23
Common stock issued in connection with the vesting of time-based restricted stock units	102,720	5	(5)	—	—	—
Common stock surrendered in connection with payroll withholding taxes	(13,494)	(1)	(67)	—	—	(68)
Balance, October 27, 2024	12,559,129	628	45,303	17,471	221	63,623

* Derived from audited consolidated financial statements.

See accompanying notes to consolidated financial statements.

CULP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Culp, Inc. and its majority-owned subsidiaries (the “company”) include all adjustments that are, in the opinion of management, necessary for fair presentation of the results of operations and financial position. All these adjustments are of a normal recurring nature. Results of operations for interim periods may not be indicative of future results. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements that are included in the company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 11, 2025, for the fiscal year ended April 27, 2025.

The company's six months ended November 2, 2025, and October 27, 2024, represent 27-week and 26-week periods, respectively.

2. Significant Accounting Policies

As of November 2, 2025, there were no changes in the nature of our significant accounting policies or the application of those policies from those reported in our Annual Report on Form 10-K for the year then ended April 27, 2025. However, during the first quarter of fiscal 2026, we renamed our business segments to better reflect our product offerings: the mattress fabrics segment is now referred to as the bedding segment and the upholstery fabrics segment is now referred to as the upholstery segment. See Note 14 of the consolidated financial statements for further details regarding our business segments.

Recently Adopted Accounting Pronouncements

There were no recently adopted accounting pronouncements during the first half of fiscal 2026.

Recently Issued Accounting Pronouncements

Effective December 14, 2023, the FASB issued ASU 2023-09 *Improvements to Income Tax Disclosures* (“ASU 2023-09”), which is an update to Topic 740, Income Taxes. The amendments in this update relate to improvements regarding the transparency of income tax disclosures by requiring consistent categories and greater disaggregation by jurisdiction of information included in the effective income tax rate reconciliation and for income taxes paid. Also, the amendments allow investors to better assess an entity's: (i) capital allocation decisions, (ii) worldwide operations, and (iii) related tax risks, tax planning, and operational opportunities that affect the effective income tax rate and prospects for future cash flows. The other amendments in this update improve the effectiveness and comparability of disclosures relating to pretax income (or loss) and income tax expense (or benefit) and remove disclosures that are no longer considered cost beneficial or relevant. ASU 2023-09 is effective for public entities starting in annual periods beginning after December 15, 2024 (i.e., our fiscal 2026 annual report). Early adoption is permitted. The company expects that the adoption of ASU 2023-09 will not have an impact on our results of operations and financial condition, but will have a material impact on the disclosures required in the notes to the consolidated financial statements, which are disclosed in Note 15.

In November 2024, the FASB issued ASU 2024-03 *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures* (“ASU 2024-03”) which is an update to Topic 220, Income Statement - Reporting Comprehensive Income. ASU 2024-03 enhances transparency and decision-usefulness of expense disclosures in response to investors' requests for more detailed, disaggregated expense information, enabling a clearer understanding of a public business entity's performance and cost structure. The amendments improve disclosure requirements in the notes to the financial statements for specific expense categories including: (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, (e) certain amounts that are already required to be disclosed under current generally accepted accounting principles in the same disclosure as other disaggregation requirements, (f) qualitative description of amounts remaining in relevant expense captions that are not necessarily disaggregated quantitatively, as well as (g) the total amount of selling expenses, and in annual reporting periods, the entity's definition of selling expense. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, (i.e., our fiscal 2028 annual report) and interim reporting periods beginning after December 15, 2027 (i.e., first quarter of our fiscal 2029 interim report). Early adoption is permitted. The company is currently evaluating ASU 2024-03 to determine the impact it will have on its consolidated financial statements and related disclosures.

Except as disclosed above, there are currently no new accounting pronouncements that are expected to have a material effect on our consolidated financial statements.

3. Allowance for Doubtful Accounts

A summary of the activity in the allowance for doubtful accounts follows:

(dollars in thousands)	Six months ended	
	November 2, 2025	October 27, 2024
Beginning balance	\$ 651	\$ 356
Provision for bad debts	86	162
Write-offs, net of recoveries	(215)	—
Ending balance	\$ 522	\$ 518

As of November 2, 2025, and October 27, 2024, we assessed the credit risk of our customers within our accounts receivable portfolio. Our risk assessment includes the respective customers': (i) financial position; (ii) past payment history; (iii) management's general ability; and (iv) historical loss experience; as well as (v) any other ongoing economic conditions. After our risk assessment was completed, we assigned credit grades to our customers, which in turn were used to determine our allowance for doubtful accounts totaling \$522,000 and \$518,000 as of November 2, 2025, and October 27, 2024, respectively.

4. Revenue from Contracts with Customers

Nature of Performance Obligations

Our operations are classified into two business segments: bedding (formerly known as mattress fabrics) and upholstery (formerly known as upholstery fabrics). The bedding segment manufactures, sources, and sells fabrics and mattress covers primarily to bedding manufacturers. The upholstery segment develops, sources, manufactures, and sells fabrics primarily to residential, commercial, and hospitality furniture manufacturers.

In addition, the upholstery segment includes Read Window Products LLC ("Read"), a wholly owned subsidiary that provides window treatments and sourcing of upholstery fabrics and other products, as well as related measuring and installation services to customers in the hospitality and commercial markets. Read also supplies soft goods such as decorative top sheets, coverlets, duvet covers, bed skirts, bolsters, and pillows. On April 24, 2025 (fourth quarter of fiscal 2025), the company announced a strategic transformation of its operating model that will combine certain activities within the bedding and upholstery business segments and create one integrated Culp-branded business. As part of this strategic transformation, we are closing our leased facilities operated by our upholstery segment located in Burlington, North Carolina and Knoxville, Tennessee and are currently transitioning their production and distribution activities utilizing a shared management model within our owned facility located in Stokesdale, North Carolina. See note 10 of the consolidated financial statements for further details regarding this strategic transformation initiative.

Our primary performance obligations include the sale of bedding and upholstery products, as well as the performance of customized fabrication and installation services associated with window treatments.

Contract Assets & Liabilities

Certain contracts relating to customized fabrication and installation services associated with Read require upfront customer deposits that result in a contract liability which is recorded in the Consolidated Balance Sheets as deferred revenue. Revenue on contract liabilities associated with customized fabrication and installation services is generally recognized within one year, as the satisfaction of performance obligations are generally one year or less. If upfront deposits or prepayments are not required, customers may be granted terms that generally range from 15 to 60 days. Our terms are customary within the industries in which we operate and are not considered financing arrangements.

There were no contract assets recognized as of November 2, 2025, October 27, 2024, or April 27, 2025.

A summary of the activity associated with deferred revenue follows:

(dollars in thousands)	Six months ended	
	November 2, 2025	October 27, 2024
Beginning balance	\$ 422	\$ 1,495
Revenue recognized on contract liabilities	(1,119)	(1,901)
Payments received for services not yet rendered	1,586	1,535
Ending balance	\$ 889	\$ 1,129

As of November 2, 2025, deferred revenue of \$889,000 pertained to: (i) upfront customer deposits associated with customized fabrication and installation services related to Read totaling \$847,000, and (ii) an upfront license fee paid to us for the licensing of a certain trademark to be used by an upholstery customer totaling \$42,000. As of October 27, 2024, deferred revenue of \$1.1 million pertained to: (i) upfront customer deposits associated with customized fabrication and installation services relating to Read totaling \$1.0 million, and (ii) an upfront license fee paid to us for the licensing of a certain trademark to be used by an upholstery customer totaling \$125,000. As of April 27, 2025, deferred revenue of \$422,000 pertained to: (i) upfront customer deposits associated with customized fabrication and installation services relating to Read totaling \$339,000, and (ii) an upfront license fee paid to us for the licensing of a certain trademark to be used by an upholstery customer totaling \$83,000.

Revenue recognized during the six-month periods ended November 2, 2025 and October 27, 2024, that was included in the deferred revenue balance at the beginning of each period was \$380,000 and \$1.3 million, respectively.

Disaggregation of Revenue

The following table presents our disaggregated revenue by segment, timing of revenue recognition, and product sales versus services rendered for the three-month period ended November 2, 2025:

(dollars in thousands)	Bedding	Upholstery	Total
Products transferred at a point in time	\$ 30,763	\$ 21,026	\$ 51,789
Services transferred over time	—	1,413	1,413
Total net sales	\$ 30,763	\$ 22,439	\$ 53,202

The following table presents our disaggregated revenue by segment, timing of revenue recognition, and product sales versus services rendered for the six-month period ended November 2, 2025:

(dollars in thousands)	Bedding	Upholstery	Total
Products transferred at a point in time	\$ 58,809	\$ 41,800	\$ 100,609
Services transferred over time	—	3,284	3,284
Total net sales	\$ 58,809	\$ 45,084	\$ 103,893

The following table presents our disaggregated revenue by segment, timing of revenue recognition, and product sales versus services rendered for the three-month period ended October 27, 2024:

(dollars in thousands)	Bedding	Upholstery	Total
Products transferred at a point in time	\$ 30,074	\$ 22,502	\$ 52,576
Services transferred over time	—	3,098	3,098
Total net sales	\$ 30,074	\$ 25,600	\$ 55,674

The following table presents our disaggregated revenue by segment, timing of revenue recognition, and product sales versus services rendered for the six-month period ended October 27, 2024:

<i>(dollars in thousands)</i>	Bedding	Upholstery	Total
Products transferred at a point in time	\$ 58,150	\$ 47,967	\$ 106,117
Services transferred over time	—	6,094	6,094
Total net sales	\$ 58,150	\$ 54,061	\$ 112,211

5. Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the FIFO (first-in, first-out) method.

A summary of inventories follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Raw materials	\$ 5,675	\$ 6,224	\$ 5,733
Work-in-process	2,757	1,787	2,747
Finished goods	41,509	37,121	40,829
Total inventories	\$ 49,941	\$ 45,132	\$ 49,309

6. Intangible Assets

A summary of intangible assets follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Tradename	\$ —	\$ 540	\$ —
Customer relationships, net	583	885	734
Non-compete agreement, net	188	263	226
Total intangible assets	\$ 771	\$ 1,688	\$ 960

Tradename

Our tradename pertains to Read, a separate reporting unit within the upholstery segment. This tradename was determined to have an indefinite useful life at the time of its acquisition, and therefore was not amortized.

We were required to assess our tradename for impairment annually or between annual tests if we believed indicators of impairment existed. Accordingly, we performed our annual impairment assessment of Read's tradename as of April 27, 2025. Initially, we performed a qualitative assessment in which we concluded it was more-likely-than-not the fair value of Read's tradename was less than its carrying amount. This conclusion was based on management's decision, announced on April 24, 2025, to strategically transform the company's operating model by combining certain activities within the bedding and upholstery business segments and creating one integrated and Culp-branded business. Since the company is transforming to a single Culp-branded business, Read's tradename will be phased out during fiscal 2026, and will no longer be used to market upholstery fabric products to customers associated with the hospitality industry. Consequently, we recorded an asset impairment charge totaling \$540,000 during the fourth quarter of fiscal 2025, which represents the entire carrying value of our Read tradename. This charge was classified as restructuring expense within our Consolidated Statement of Net Loss for the twelve-month period ended April 27, 2025.

Customer Relationships

A summary of the change in the carrying amount of our customer relationships follows:

<i>(dollars in thousands)</i>	Six months ended	
	November 2, 2025	October 27, 2024
Beginning balance	\$ 734	\$ 1,035
Amortization expense	(151)	(150)
Ending balance	\$ 583	\$ 885

Our customer relationships are amortized on a straight-line basis over useful lives ranging from nine to seventeen years.

The gross carrying amount of our customer relationships was \$3.1 million as of November 2, 2025, October 27, 2024, and April 27, 2025. Accumulated amortization for these customer relationships was \$2.5 million, \$2.2 million, and \$2.4 million as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

The remaining amortization expense for each of the next five fiscal years is as follows: FY 2026 - \$150,000; FY 2027 - \$280,000; FY 2028 - \$51,000; FY 2029 - \$51,000; and FY 2030 - \$51,000.

The weighted average amortization period for our customer relationships was 2.6 years as of November 2, 2025.

Non-Compete Agreement

A summary of the change in the carrying amount of our non-compete agreement follows:

(dollars in thousands)	Six months ended	
	November 2, 2025	October 27, 2024
Beginning balance	\$ 226	\$ 301
Amortization expense	(38)	(38)
Ending balance	\$ 188	\$ 263

Our non-compete agreement is associated with a prior acquisition by our bedding segment and is amortized on a straight-line basis over the fifteen-year life of the agreement.

The gross carrying amount of our non-compete agreement was \$2.0 million as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively. Accumulated amortization for our non-compete agreement was \$1.9 million, \$1.8 million, and \$1.8 million as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

The remaining amortization expense for each of the next three fiscal years is as follows: FY 2026 - \$38,000; FY 2027 - \$76,000; and FY 2028 - \$74,000.

The weighted average amortization period for the non-compete agreement was 2.5 years as of November 2, 2025.

Impairment of Definite Lived Assets - Bedding Segment

As of November 2, 2025, management reviewed the long-lived assets associated with our bedding segment, which consisted of property, plant, and equipment and definite-lived intangible assets (collectively known as the "Bedding Asset Group"), for impairment, as events and changes in circumstances occurred that indicated the carrying amount of the Bedding Asset Group may not be recoverable. The bedding segment has experienced significant cumulative operating losses commencing in the second quarter of fiscal 2023, and continuing through the second quarter of fiscal 2026. We believe the significant cumulative operating losses started from a decline in consumer discretionary spending on bedding products, which we believe stemmed from the following factors: (i) inflationary effects of commodities such as gas, food, and other necessities; (ii) a significant increase in interest rates; (iii) the pulling forward of demand for home goods products during the early years of the COVID-19 pandemic, with such demand subsequently shifting to travel, leisure, and other services; and (iv) excess inventory held by customers due to the decline in consumer demand.

Based on the above evidence, we were required to determine the recoverability of the Bedding Asset Group, which is classified as held and used, by comparing the carrying amount of the Bedding Asset Group to the sum of the future undiscounted cash flows expected to result from its use and eventual disposition. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized for the excess of the carrying amount over the fair value of the asset group. The carrying amount of the Bedding Asset Group totaled \$21.5 million, which represents property, plant, and equipment of \$21.1 million, customer relationships of \$230,000, and a non-compete agreement of \$188,000. The total carrying amount of the Bedding Asset Group did not exceed the sum of its future undiscounted cash flows from its use and disposition. As a result, we determined there was no impairment associated with the Bedding Asset Group as of November 2, 2025.

7. Notes Receivable

Rayonese Textile, Inc.

In connection with the sale of the company's manufacturing facility and related land (collectively referred to as the "Property") located in Quebec, Canada, we entered into an amended agreement, effective April 2, 2025, which incorporated an original agreement and prior amendment (collectively referred to as the "Sales Agreement"), to sell our Property to a third party (the "Seller") with a closing date of April 30, 2025. Pursuant to the Sales Agreement, the total sales price for the Property was \$8.6 million CAD (\$6.2 million USD as of April 30, 2025), with \$2.0 million CAD (\$1.4 million USD as of April 30, 2025) paid prior to and at closing, and the remaining balance of \$6.6 million CAD (\$4.8 million USD as of April 30, 2025) due by April 30, 2026. Interest is earned on the note receivable at rates ranging from 6% to 10% and collected monthly as specified in the Sales Agreement. Refer to Notes 8 and 10 of the consolidated financial statements for further details of the sale of the Property and a description of our restructuring activities.

As of November 2, 2025, the outstanding balance of this note receivable was \$6.6 million CAD (\$4.7 million USD) which represents its fair value due to the relative short maturity of this note receivable as specified in the Sales Agreement. As of November 2, 2025, we believe there is no expected credit loss related to the collectibility of this note receivable, as the Seller has made all the required interest payments as specified in the Sales Agreement. We will continue to evaluate the facts and circumstances at the end of each reporting period to determine if an expected credit loss is deemed necessary.

Culp Upholstery Fabrics - Haiti, Ltd. ("CUF Haiti")

Effective January 24, 2023, CUF Haiti entered into an agreement to terminate a lease ("CUF Termination Agreement") of a facility located in Ouanaminthe, Haiti. Pursuant to the terms of the CUF Termination Agreement, the original lease agreement (the "Original Lease") was formally terminated when CUF Haiti vacated and returned possession of the leased facility to the lessor. Subsequently, a third party (the "Lessee") took possession of this facility and agreed to pay CUF Haiti \$2.4 million in the form of a note receivable over a period commencing on April 1, 2023 and ending on December 31, 2029, based on the terms stated in the CUF Termination Agreement. In addition, as described in the CUF Termination Agreement, an affiliate of the Lessee guaranteed payment in full of all amounts due and payable to CUF Haiti by the Lessee, and CUF Haiti was fully and unconditionally discharged from all of its remaining obligations under the Original Lease.

The initial gross carrying amount of this note receivable was \$2.4 million and was recorded at its fair value of \$2.0 million, which represented the present value of future discounted cash flows based on the payment amounts and timing of such payments due from the Lessee as stated in the CUF Termination Agreement. We used an interest rate of 6% to determine the present value of the future discounted cash flows, based on significant unobservable inputs and assumptions determined by management such as: (i) the credit characteristics of the Lessee and guarantor of the CUF Termination Agreement; (ii) the length of the payment terms as defined in the CUF Termination Agreement; (iii) the payment terms as defined in the CUF Termination Agreement are denominated in USD; and (iv) the fact that the facility is located in, and the Lessee and guarantor conduct business in, Haiti, a foreign country. Since management used significant unobservable inputs and assumptions to determine the fair value of this note receivable, this note receivable was classified as Level 3 within the fair value hierarchy (see Note 12 of the consolidated financial statements for further explanation of the fair value hierarchy).

Effective May 1, 2023, CUF Haiti formally assigned this note receivable to Culp, Inc. (its U.S. parent).

As of November 2, 2025, October 27, 2024, and April 27, 2025, the outstanding balance under this agreement was \$1.3 million, \$1.6 million, and \$1.5 million, respectively. As of November 2, 2025, we believe there is no expected credit loss related to the collectability of this note receivable, as the Lessee has made all of the required principal payments stated in the CUF Termination Agreement. We will continue to evaluate the facts and circumstances at the end of each reporting period to determine if an expected credit loss is deemed necessary.

Culp Home Fashions - Haiti, Ltd. ("CHF Haiti")

Effective August 2, 2024, CHF Haiti entered into an agreement to terminate a lease of a facility ("CHF Termination Agreement"). Pursuant to the terms of the CHF Termination Agreement, CHF Haiti was entitled to a payment of \$250,000 from the lessor at the earlier of February 18, 2025 or 15 days after a new lease with a third party lessee is signed. In connection with the CHF Termination Agreement, CHF Haiti has been unconditionally discharged from all its remaining obligations under this lease.

During the fourth quarter of fiscal 2025, CHF Haiti received the full payment of \$250,000.

Other

The following table represents the remaining future principal payments for the notes receivable referenced above as of November 2, 2025:

<i>(dollars in thousands)</i>		
2026	\$	4,914
2027		330
2028		360
2029		360
2030		240
Undiscounted value of note receivable	\$	6,204
Less: unearned interest income		(176)
Present value of note receivable	\$	6,028

As of November 2, 2025, notes receivable totaled \$6.0 million, of which \$5.0 million and \$1.0 million were classified as short-term notes receivable and long-term notes receivable, respectively. As of October 27, 2024, notes receivable totaled \$1.6 million, of which \$522,000 and \$1.3 million were classified as short-term notes receivable and long-term notes receivable, respectively. As of April 27, 2025, notes receivable totaled \$1.5 million, of which \$280,000 and \$1.2 million were classified as short-term notes receivable and long-term notes receivable, respectively.

We classified amortization of unearned interest income totaling \$42,000 and \$50,000 within interest income in our consolidated statements of net loss during the six-month periods ended November 2, 2025, and October 27, 2024, respectively.

8. Assets Held for Sale

A summary of assets held for sale follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Bedding - U.S. (1) (2)	\$ 124	\$ 358	\$ —
Bedding - Canada (3) (4)	—	2,943	2,177
	\$ 124	\$ 3,301	\$ 2,177

(1) In connection with our restructuring activities announced on April 24, 2025 (see Note 10 of the consolidated financial statements for further details), equipment with a fair value totaling \$124,000 was classified as held for sale as of November 2, 2025. We determined that the carrying value of \$380,000 was higher than its fair value of \$124,000, and accordingly, we recorded an impairment charge of \$256,000 during the first half of fiscal 2026. This impairment charge was classified within restructuring credit in the Consolidated Statement of Net Loss for the six-month period ended November 2, 2025. The fair value of this equipment was based on quoted market prices from dealers of this type of equipment, which such prices are either directly or indirectly observable, and therefore we believe this information is classified as level 2 within the fair value hierarchy.

(2) In connection with our restructuring activities announced on May 1, 2024 (see Note 10 of the consolidated financial statements for further details), equipment with a carrying value totaling \$358,000 was classified as held for sale as of October 27, 2024. We determined that the fair value of this equipment exceeded its carrying value, and therefore, no impairment charge was recorded during the first half of fiscal 2025. The fair value of this equipment was based on quoted market prices from dealers

of this type of equipment, which such prices are either directly or indirectly observable, and therefore we believe this information is classified as level 2 within the fair value hierarchy.

- (3) In connection with the closure of our manufacturing facility located in Quebec, Canada, we classified Property of \$2.1 million and certain equipment totaling \$832,000 as held for sale as of October 27, 2024. We determined that the fair value of these assets held for sale exceeded its carrying value, and therefore no impairment charge was recorded during the second quarter of fiscal 2025. The fair value of the equipment was based on quoted market prices from dealers of this type of equipment, which such prices are either directly or indirectly observable, and therefore we believe this information is classified as level 2 within the fair value hierarchy. See note 4 below and notes 7 and 10 of the consolidated financial statements for further details regarding the Sales Agreement associated with the sale of the Property and description of the restructuring activity announced on May 1, 2024.
- (4) In connection with the closure of our manufacturing facility located in Quebec, Canada, we classified Property of \$2.1 million and certain equipment totaling \$75,000 as held for sale as of April 27, 2025. We determined that the fair value of these assets held for sale exceeded its carrying value, and therefore no impairment charge was recorded during the fourth quarter of fiscal 2025. The fair value of the Property and equipment was based on quoted market prices from third party sales offers, which we believe are significant observable inputs, and therefore we believe this information was classified as Level 2 within the fair value hierarchy. During the first quarter of fiscal 2026, we sold the Property and equipment, and recognized a gain from this sale totaling \$4.0 million that was classified within restructuring credit in the Consolidated Statement of Net Loss for the six-month period ended November 2, 2025. See notes 7 and 10 of the consolidated financial statements for further details regarding the Sales Agreement associated with the sale of the Property and description of the restructuring activity announced on May 1, 2024.

See note 12 of the consolidated financial statements for further explanation of the fair value hierarchy.

9. Accrued Expenses

A summary of accrued expenses follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Compensation, commissions and related benefits	\$ 2,452	\$ 3,547	\$ 2,534
Other accrued expenses	2,751	2,649	2,799
	\$ 5,203	\$ 6,196	\$ 5,333

10. Restructuring Activities

Restructuring Activities Announced May 1, 2024

On April 29, 2024 (first quarter of fiscal 2025), our board of directors made a decision to: (i) consolidate the company's North American bedding operations, including the closure and sale of the Property located in Quebec, Canada; (ii) move a portion of the knitting and finishing capacity from the company's manufacturing facility located in Quebec, Canada, to the company's manufacturing facility located in Stokesdale, North Carolina; (iii) transition the bedding segment's weaving operation to a strategic sourcing model through the company's long-standing supply partners; (iv) consolidate the company's sewn mattress cover operation located in Ouanaminthe, Haiti, from two leased facilities into one building and reduce other operating expenses at this location; as well as (v) reduce unallocated corporate and shared service expenses.

The above restructuring activities related to the May 1, 2024 announcement were mostly completed by the end of the second quarter of fiscal 2026, including the sale of the Property and certain equipment located in Quebec, Canada. Accordingly, we recorded a gain from the sale of this Property and equipment totaling \$4.0 million that was classified within restructuring credit in the Consolidated Statement of Net Loss for six-month period ended November 2, 2025. See notes 7 and 8 of the consolidated financial statements for further details regarding the Sales Agreement associated with the sale of the Property and determination of fair value regarding the Property and equipment.

Since inception of this restructuring initiative, we incurred cumulative restructuring and restructuring related charges totaling \$5.3 million, most of which related to the bedding segment.

Restructuring Activities Announced April 24, 2025

On April 24, 2025 (fourth quarter of fiscal 2025), the company announced a strategic transformation of its operating model that will combine certain activities within the bedding and upholstery segments and create one integrated Culp-branded business. As part of this strategic transformation, we are closing our leased facilities operated by our upholstery segment located in Burlington, North Carolina, and Knoxville, Tennessee, and are currently transitioning their production and distribution activities to a shared management model within our owned facility located in Stokesdale, North Carolina, which has historically been solely operated by our bedding segment.

The estimated cumulative restructuring and restructuring related charges for this initiative are expected to be \$2.6 million, of which \$1.1 million is expected to be cash expenditures. The \$2.6 million of estimated cumulative restructuring and restructuring related charges associated with this initiative represents: (i) a non-cash charge for impairment of Read's tradename totaling \$540,000 (see Note 6 located in the notes to the consolidated financial statements for further details); (ii) a non-cash charge of \$393,000 associated with the disposal and markdowns of inventory; (iii) non-cash lease termination costs of \$116,000; (iv) non-cash accelerated depreciation expense, along with impairments and losses on disposal of fixed assets totaling \$399,000; (v) cash charges for employee termination benefits of \$386,000; (vi) cash charges for facility consolidation and relocation expenses of \$655,000; and (vii) cash charges for other associated costs of \$69,000. We expect the initiatives associated with this strategic transformation to be substantially completed by the end of the third quarter of fiscal 2026.

The following summarizes restructuring expense (credit) and restructuring related charges associated with the above announcements for the three-month and six-month periods ended November 2, 2025:

<i>(dollars in thousands)</i>	Three Months Ended November 2, 2025	Six Months Ended November 2, 2025
Additional depreciation expense for shortened useful lives	\$ 87	\$ 109
Employee termination benefits	174	170
Lease termination (credit) expense	(22)	40
Facility consolidation and relocation expenses	204	256
Net gain from the sale and impairment of property, plant, and equipment	(2)	(3,750)
Other associated costs	58	165
Loss on disposal and markdowns of inventory	931	931
Restructuring expense (credit) and restructuring related charges (1) (2) (3)	\$ 1,430	\$ (2,079)

- (1) Of the total \$1.4 million restructuring expense and restructuring related charge, \$499,000 and \$931,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the three-month period ended November 2, 2025. Of the total \$1.4 million restructuring expense and restructuring related charge, \$976,000 and \$454,000 related to the upholstery and bedding segments, respectively.
- (2) Of the total \$(2.1) million net restructuring credit and restructuring related charge, a \$(3.0) million credit and \$931,000 charge were classified within restructuring credit and cost of sales, respectively, in the Consolidated Statement of Net Loss for the six-month period ended November 2, 2025. Of the total \$(2.1) million net restructuring credit and restructuring related charge, a credit of \$(3.2) million and a charge of \$1.1 million related to the bedding and upholstery segments, respectively.
- (3) Of the total \$1.4 million restructuring expense and restructuring related charge for the three months ended on November 2, 2025, \$975,000 and \$455,000 related to the restructuring activities announced on April 24, 2025 and May 1, 2024, respectively. Of the total \$(2.1) million net restructuring credit and restructuring related charge for the six months ended November 2, 2025, a credit of \$(3.4) million and a charge of \$1.3 million related to the restructuring activities announced on May 1, 2024, and April 24, 2025, respectively.

The following summarizes restructuring expense and restructuring related charges associated with the May 1, 2024 announcement described above for the three-month and six-month periods ended October 27, 2024:

<i>(dollars in thousands)</i>	Three Months Ended October 27, 2024	Six Months Ended October 27, 2024
Additional depreciation expense for shortened useful lives	\$ 465	\$ 1,340
Employee termination benefits	563	1,252
Lease Termination Costs	179	849
Facility consolidation and relocation expenses	896	1,149
Net gain from the sale and impairment of property, plant, and equipment	(105)	(10)
Other associated costs	33	82
Loss on disposal and markdowns of inventory	769	885
Restructuring expense and restructuring related charges (1) (2)	\$ 2,800	\$ 5,547

- (1) Of the total \$2.8 million restructuring expense and restructuring related charge, \$2.0 million and \$769,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the three-month period ended October 27, 2024. Of the total \$2.8 million, \$2.8 million and \$29,000 related to the bedding and upholstery segments, respectively.
- (2) Of the total \$5.5 million restructuring expense and restructuring related charge, \$4.7 million and \$885,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the six-month period ended October 27, 2024. Of the total \$5.5 million restructuring expense and restructuring related charge, \$5.4 million and \$147,000 related to the bedding and upholstery segments, respectively.

The following summarizes accrued restructuring costs for the six-month period ended November 2, 2025:

<i>(dollars in thousands)</i>	Employee Termination Benefits	Other Associated Costs	Facility Consolidation and Relocation Costs	Total
Beginning balance	\$ 522	\$ 88	\$ —	\$ 610
Expenses incurred	196	181	256	633
Change in estimate adjustments	(26)	(16)	—	(42)
Payments	(450)	(253)	(215)	(918)
Foreign currency exchange remeasurement	—	—	—	—
Ending Balance	\$ 242	\$ —	\$ 41	\$ 283

The following summarizes accrued restructuring costs for the six-month period ended October 27, 2024:

<i>(dollars in thousands)</i>	Employee Termination Benefits	Other Associated Costs	Facility Consolidation and Relocation Costs	Total
Beginning balance (1)	\$ —	\$ 3	\$ —	\$ 3
Expenses incurred	1,302	82	1,149	2,533
Change in estimate adjustments	(50)	—	—	(50)
Payments	(453)	(85)	(1,072)	(1,610)
Foreign currency exchange remeasurement	(8)	—	(5)	(13)
Ending Balance	\$ 791	\$ —	\$ 72	\$ 863

- (1) Accrued restructuring costs of \$3,000 were reported within accrued expenses in the Consolidated Balance Sheet for the period ended April 28, 2024.

11. Lines of Credit

The summary of outstanding borrowings under our lines of credit follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Wells Fargo - U.S. revolving line of credit	\$ 7,025	\$ —	\$ 4,600
Agricultural Bank of China - revolving line of credit	4,081	4,074	3,988
Agricultural Bank of China - supplier financing arrangements	2,814	—	2,751
Agricultural Bank of China - working capital loan	2,955	—	—
Bank of China - working capital loan	1,407	—	1,375
Lines of credit (1)	\$ 18,282	\$ 4,074	\$ 12,714

(1) Of the total \$18.3 million, \$11.3 million and \$7.0 million were recorded within lines of credit - current and line of credit - long-term, respectively, within the Consolidated Balance Sheet as of November 2, 2025. The total \$4.1 million was recorded within lines of credit - current within the Consolidated Balance Sheet as of October 27, 2024. Of the total \$12.7 million, \$8.1 million and \$4.6 million were recorded within lines of credit - current and line of credit - long-term, respectively, within the Consolidated Balance Sheet as of April 27, 2025.

Revolving Credit Agreement – United States

On June 12, 2025, Culp, Inc., as borrower (the “Company”), and Read and Culp Fabrics Global, LLC, each a wholly owned domestic subsidiary of the Company, as guarantors (collectively, the “Guarantors”), entered into a Third Amendment to the Second Amended and Restated Credit Agreement (the “Third Amendment”), by and among the Company, the Guarantors and Wells Fargo Bank, National Association, as lender (the “Lender”). The Third Amendment amends the Second Amended and Restated Credit Agreement dated as of January 19, 2023, (as amended, restated, supplemented, or otherwise modified from time to time, the “Credit Agreement”), an asset-based revolving credit facility (the “ABL Facility”). Proceeds from the ABL Facility may be used to pay fees and expenses related to the ABL Facility and to provide funding for ongoing working capital and general corporate purposes. The Credit Agreement amended, restated, and superseded, and served as a replacement for, the Amended and Restated Credit Agreement dated as of June 24, 2022, as amended, by and between the Company and the Lender.

Pursuant to the Third Amendment, the term of the ABL Facility was extended for three years and now matures on June 12, 2028.

Pursuant to the Credit Agreement, the ABL Facility contains the following terms:

The ABL Facility may be used for revolving credit loans and letters of credit from time to time up to a maximum principal amount of \$30.0 million, which may be increased upon mutual agreement by up to \$10.0 million via an accordion feature, subject to the limitations described below.

As of November 2, 2025, the Company could issue letters of credit under a sub-facility within the ABL Facility in an aggregate amount not to exceed \$2.0 million. On November 4, 2025 (third quarter of fiscal 2026), the Company entered into a Fourth Amendment to the Second Amended and Restated Credit Agreement which increased the aggregate amount of letters of credit that could be issued by the Company from \$2.0 million to \$3.0 million.

The amount available under the ABL Facility is limited by a borrowing base consisting of certain eligible accounts receivable and inventory, reduced by specified reserves, as follows:

- 85% of eligible accounts receivable, plus
- the least of:
 - i) the sum of:
 - lesser of (i) 65% of eligible inventory valued at cost based on a first-in first-out basis (net of intercompany profits) and (ii) 85% of the net-orderly-liquidation value percentage of eligible inventory, plus

- the least of (i) 65% of eligible in-transit inventory valued at cost based on a first-in first-out basis (net of intercompany profits), (ii) 85% of the net-orderly-liquidation value percentage of eligible in-transit inventory, and (iii) \$4.0 million, plus
- the lesser of (i) 65% of eligible raw material inventory valued at cost based on a first-in first-out basis (net of intercompany profits) and (ii) 85% of the net-orderly-liquidation value percentage of eligible raw material inventory

In each case, the net-orderly-liquidation value is calculated based on the lower of (i) a first-in first-out basis and (ii) market value, and is (A) net of intercompany profits, (B) net of write-ups and write-downs in value with respect to foreign currency exchange rates and (C) consistent with most recent appraisals received and acceptable to Lender.

ii) \$20.0 million; and

iii) An amount equal to 200% of eligible accounts receivable,

- minus applicable reserves.

The ABL Facility permits both base rate borrowings and borrowings that bear interest at annual rate equal to daily simple SOFR (the secured overnight financing rate administered by the Federal Reserve Bank of New York (or its successor)), in each case, plus an Applicable Margin equal to: (i) 75 basis points for base rate borrowings and 175 basis points for SOFR-based borrowings (if the average monthly excess availability under the ABL Facility is greater than 66 2/3%), (ii) 100 basis points for base rate borrowings and 200 basis points for SOFR-based borrowings (if the average monthly excess availability under the ABL Facility is less than or equal to 66 2/3% and greater than 33 1/3%), or (iii) 125 basis points for base rate borrowings and 225 basis points for SOFR-based borrowings (if the average monthly excess availability under the ABL Facility is less than or equal to 33 1/3%), as applicable, with a fee on unutilized commitments at an annual rate of 37.5 basis points (if usage is equal to or greater than 50% of the maximum credit available under the ABL Facility) or 50 basis points (if usage is less than 50% of the maximum credit available under the ABL Facility).

Outstanding balances associated with the ABL Facility may be prepaid from time to time, in whole or in part, without a prepayment penalty or premium. In addition, customary mandatory prepayments of the loans under the ABL Facility are required upon the occurrence of certain events including, without limitation, outstanding borrowing exposures exceeding the borrowing base and certain dispositions of assets outside of the ordinary course of business. Accrued interest is payable monthly in arrears.

The Company's obligations under the ABL Facility (and certain related obligations) are: (a) guaranteed by the Guarantors and each of the company's future domestic subsidiaries is required to guarantee the ABL Facility on a senior secured basis (such guarantors and the company, the "Loan Parties") and (b) secured by all assets of the Loan Parties on a first priority basis, subject to certain exceptions.

Cash Dominion. Under the terms of the ABL Facility, if: (i) an event of default has occurred or (ii) excess borrowing availability under the ABL Facility (based on the lesser of \$30.0 million and the borrowing base) (the "Excess Availability") falls below 6.0 million at such time, the Loan Parties will become subject to cash dominion, which will require prepayment of loans under the ABL Facility with the cash deposited in certain deposit accounts of the Loan Parties, including a concentration account, and will restrict the Loan Parties' ability to transfer cash from their concentration account. Such cash dominion period (a "Dominion Period") shall end when Excess Availability shall be equal to or greater than \$6.0 million for a period of 60 consecutive days and no event of default is continuing.

Financial Covenants. The ABL Facility contains a springing covenant requiring that the Company's fixed charge coverage ratio be no less than 1.10 to 1.00 during any period that: (i) an event of default has occurred or (ii) Excess Availability under the ABL

Facility falls below \$4.5 million at such time. Such compliance period shall end when Excess Availability shall be equal to or greater than \$4.5 million for a period of 60 consecutive days and no event of default is continuing.

Affirmative and Restrictive Covenants. The Credit Agreement governing the ABL Facility contains customary representations and warranties, affirmative and negative covenants (subject, in each case, to exceptions and qualifications) and events of default, including covenants that limit the company's ability to, among other things:

- incur additional indebtedness;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of the company's assets; and
- enter into transactions with affiliates

The applicable interest rate under the ABL Facility was 6.02%, 6.33%, and 5.78% as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

There were \$925,000, \$535,000, and \$925,000 of outstanding letters of credit provided by the ABL Facility as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively. As of November 2, 2025, we had \$1.1 million remaining for the issuance of additional letters of credit based on an aggregate letters of credit amount not to exceed \$2.0 million as stated in the Credit Agreement.

As of November 2, 2025, our available borrowings calculated under the provisions of the Credit Agreement totaled \$17.4 million.

Credit Agreements - China Operations

Agricultural Bank of China - Unsecured Credit Agreement

Effective March 5, 2025, we entered into an unsecured credit agreement that provides for a line of credit up to 29.0 million RMB (\$4.1 million USD as of November 2, 2025) that expires on March 4, 2026. Interest charged under this agreement is based on a rate determined by the Agricultural Bank of China (applicable interest rate of 2.6% as of November 2, 2025). The outstanding balance associated with this agreement was \$4.1 million USD, \$4.1 million USD, and \$4.0 million USD, as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively, and was classified as lines of credit-current in the Consolidated Balance Sheets.

Agricultural Bank of China - Supplier Financing Arrangements

Based on the company's request, certain suppliers entered into supply chain financing arrangements, which such arrangements totaled 20.0 million RMB (\$2.8 million USD as of November 2, 2025), and are set to expire on dates ranging from April 2, 2026, through April 23, 2026. As a result of these expiration dates, we were able to extend our payment terms beyond those that are normal and customary. The suppliers that entered into these supply chain financing arrangements assigned their receivables due from the company to the Agricultural Bank of China, under a reverse factoring agreement with no recourse, and, in turn, received payments from the Agricultural Bank of China under terms that are normal and customary. Interest was charged under these agreements at a fixed rate of 2.72% and was paid in full at the time these agreements were effective. The outstanding balance associated with this agreement was \$2.8 million USD and was classified as lines of credit-current in the Consolidated Balance Sheets as of November 2, 2025, and April 27, 2025, respectively. There were no supplier financing arrangements as of October 27, 2024.

The following summarizes the activity associated with our supply chain financing arrangements for the six-month periods ended November 2, 2025 and October 27, 2024:

<i>(dollars in thousands)</i>	Six Months Ended November 2, 2025	Six Months Ended October 27, 2024
Outstanding at the beginning of the year	\$ 2,751	\$ —
Vendor invoices financed during the year	—	—
Vendor invoices paid during the year	—	—
Foreign currency exchange rate remeasurement	63	—
Ending balance	<u>\$ 2,814</u>	<u>\$ —</u>

Agricultural Bank of China - Working Capital Loans

During the first quarter of fiscal 2026, we entered into unsecured loan agreements totaling 21.0 million RMB (\$3.0 million USD as of November 2, 2025), which such agreements are set to expire on dates ranging from May 7, 2026 through May 28, 2026. Interest charged under these agreements is based on rates determined by the Agricultural Bank of China (applicable interest rates ranged from 2.5% to 2.6% as of November 2, 2025). The outstanding balance associated with this agreement was \$3.0 million USD and was classified as lines of credit-current in the Consolidated Balance Sheet as of November 2, 2025.

Bank of China - Credit Agreement

Effective November 5, 2024, we entered into a credit agreement that provided for a 10.0 million RMB (\$1.4 million USD as of November 2, 2025) unsecured working capital loan and 25.0 million RMB (\$3.5 million USD as of November 2, 2025) for letters of credit, guarantees, and other financing arrangements secured by trade accounts receivable associated with the company's operations located in China. The working capital loan and letters of credit expired on November 6, 2025. Interest charged under this agreement was based on a rate determined by the Bank of China (applicable interest rate of 2.6% as of November 2, 2025). The outstanding balance under this Agreement was \$1.4 million USD and was classified as lines of credit-current in the Consolidated Balance Sheets as of November 2, 2025, and April 27, 2025. In addition, as of November 2, 2025 and April 27, 2025, there were no outstanding letters of credit under this agreement.

On November 6, 2025 (third quarter of fiscal 2026), we paid in full the outstanding balance of 10.0 million RMB (\$1.4 million USD) regarding the above unsecured working capital loan. On November 7, 2025, we entered into a new credit agreement that provides for a 10.0 million RMB (\$1.4 million USD as of November 7, 2025) unsecured working capital loan and 25.0 million RMB (\$3.5 million USD as of November 7, 2025) for letters of credit, guarantees, and other financing arrangements secured by trade accounts receivable associated with the company's operations located in China. The working capital loan and letters of credit expire on November 11, 2026. Interest is charged based on a fixed rate of 2.5%.

Other

Our loan agreements require, among other things, that we maintain compliance with certain financial covenants. As of November 2, 2025, we were in compliance with our financial covenants.

Interest payments totaled \$326,000 during the six-month period ended November 2, 2025. There were no interest payments during the six-month period ended October 27, 2024.

12. Fair Value

ASC Topic 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the company's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used

within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls to a lower level in the hierarchy.

The hierarchy consists of three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 – Unobservable inputs developed using the company's estimates and assumptions, which reflect those that market participants would use.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter based on various factors, and it is possible that an asset or liability may be classified differently from quarter to quarter. However, we expect that changes in classifications between different levels will be rare.

Recurring Basis

The following tables present information about assets measured at fair value on a recurring basis:

Fair value measurements as of November 2, 2025, using:				
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
<i>(amounts in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government Money Market Fund	\$ 4,851	N/A	N/A	\$ 4,851
Growth Allocation Mutual Funds	1,027	N/A	N/A	1,027
S&P 500 Index Fund	404	N/A	N/A	404
Lord Abbet Bond Debenture Fund	373	N/A	N/A	373
Other	397	N/A	N/A	397

Fair value measurements as of October 27, 2024, using:				
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
<i>(amounts in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government Money Market Fund	\$ 6,724	N/A	N/A	\$ 6,724
Growth Allocation Mutual Funds	787	N/A	N/A	787
S&P 500 Index Fund	241	N/A	N/A	241
Lord Abbet Bond Debenture Fund	6	N/A	N/A	6
Other	266	N/A	N/A	266

Fair value measurements as of April 27, 2025, using:				
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
<i>(amounts in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Government Money Market Fund	\$ 5,682	N/A	N/A	\$ 5,682
Growth Allocation Mutual Funds	808	N/A	N/A	808
S&P 500 Index Fund	275	N/A	N/A	275
Lord Abbet Bond Debenture Fund	11	N/A	N/A	11
Other	271	N/A	N/A	271

Investments - Rabbi Trust

We have a rabbi trust (the “Trust”) for the participants in our deferred compensation plan (the “Plan”) that enables participants to direct their contributions to various investment options under the Plan. The investments associated with the Trust consist of a money market fund and various mutual funds that are classified as available-for-sale.

As of November 2, 2025, our investments associated with the Trust totaled \$7.1 million, of which \$1.4 million, and \$5.7 million were classified as short-term and long-term, respectively. As of October 27, 2024, our investments associated with the Trust totaled \$8.0 million, of which \$919,000 and \$7.1 million were classified as short-term and long-term, respectively. As of April 27, 2025, our investments associated with the Trust totaled \$7.0 million, of which \$1.3 million and \$5.7 million were classified as short-term and long-term, respectively. The investments associated with the Trust had an accumulated unrealized gain totaling \$377,000, \$221,000, and \$150,000 as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

The fair value of our investments associated with the Trust approximates their cost basis.

Other

The carrying amount of our cash and cash equivalents, accounts receivable, other current assets, lines of credit - current, accounts payable, and accrued expenses approximates their fair value because of the short maturity of these financial instruments. The carrying amount of our line of credit - long-term approximates its fair value as the variable rates of interest associated with the respective line of credit are comparable with the market rate of interest.

13. Net Loss Per Share

Basic net loss per share is computed using the weighted-average number of shares outstanding during the period. Diluted net loss per share uses the weighted-average number of shares outstanding during the period plus the dilutive effect of stock-based compensation calculated using the treasury stock method.

Weighted average shares used in the computation of basic and diluted net loss per share were 12,629,000 and 12,513,000 for the three months ended November 2, 2025 and October 27, 2024, respectively.

Shares of unvested common stock that were not included in the computation of diluted net loss per share consist of the following:

(in thousands)	Three Months Ended	
	November 2, 2025	October 27, 2024
Antidilutive effect from decrease in the price per share of our common stock	—	—
Antidilutive effect from net loss incurred during the fiscal quarter	103	152
Total unvested shares of common stock not included in computation of diluted net loss per share	103	152

Weighted average shares used in the computation of basic and diluted net loss per share were 12,598,000 and 12,491,000 for the six months ended November 2, 2025 and October 27, 2024, respectively.

(in thousands)	Six Months Ended	
	November 2, 2025	October 27, 2024
Antidilutive effect from decrease in the price per share of our common stock	—	2
Antidilutive effect from net loss incurred during the fiscal year	112	119
Total unvested shares of common stock not included in computation of diluted net loss per share	112	121

14. Segment Information

During the first quarter of fiscal 2026, we renamed our two reportable business segments to better reflect our product offerings. Our former mattress fabrics segment is now known as the bedding segment and our former upholstery fabrics segment is now known as the upholstery segment. The bedding segment manufactures, sources, and sells fabrics and mattress covers primarily to

bedding manufacturers. The upholstery segment develops, sources, manufactures, and sells fabrics primarily to residential, commercial, and hospitality furniture manufacturers.

In addition, the upholstery segment includes Read, a wholly owned subsidiary that provides window treatments and sourcing of upholstery fabrics and other products, as well as related measuring and installation services to customers in the hospitality and commercial markets. Read also supplies soft goods such as decorative top sheets, coverlets, duvet covers, bed skirts, bolsters, and pillows. On April 24, 2025 (the fourth quarter of fiscal 2025), the company announced a strategic transformation of its operating model that will combine certain activities within the bedding and upholstery business segments and create one integrated Culp-branded business. As part of this strategic transformation, we are closing our leased facilities operated by our upholstery segment located in Burlington, North Carolina and Knoxville, Tennessee, and are currently transitioning their production and distribution activities to a shared management model within our owned facility located in Stokesdale, North Carolina. See note 10 of the consolidated financial statements for further details regarding this strategic transformation initiative.

Our Chief Operating Decision Maker ("CODM") is our Chief Executive Officer ("CEO"), who regularly reviews the financial results of the company on a consolidated and business segment basis for the purpose of evaluating financial and operating performance and allocation of resources to the individual segments noted above. Beginning in the first quarter of fiscal 2026, the CODM decided to use net sales and gross profit, excluding items that are not expected to occur on a regular basis (e.g. restructuring activities), as the primary measure of segment profit or loss. Previously, segment performance was primarily evaluated based on net sales and income (loss) from operations before unallocated corporate expenses and other items that are not expected to occur on a regular basis (e.g. restructuring activities). This change was made to align with internal management reporting and the decision-making processes affected by the strategic transformation of the company's operating model announced on April 24, 2025, which combined certain activities within the bedding and upholstery business segments and created one integrated Culp-branded business. The CODM evaluates segment performance based on: (i) net sales, (ii) cost of sales, (iii) gross profit excluding items that are not expected to occur on a regular basis (i.e. restructuring related charges and credits), (iv) assets used in operations, which generally include accounts receivable, inventory, property, plant, and equipment, right of use assets, and assets held for sale; and (v) capital spending.

Cost of sales for each segment includes costs to develop, manufacture, or source our products, including costs such as raw material and finished goods purchases, direct and indirect labor, overhead, and incoming freight charges. Intangible assets are not included in segment assets, as these assets are not used by the CODM to evaluate the respective segment's operating performance and allocate resources to the individual segments.

Statements of operations for our operating segments are as follows:

	Three Months Ended	
	November 2, 2025	October 27, 2024
Net sales by segment:		
Bedding	\$ 30,763	\$ 30,074
Upholstery	22,439	25,600
Net sales	<u>\$ 53,202</u>	<u>\$ 55,674</u>
Cost of Sales by segment:		
Bedding	\$ 27,661	\$ 27,630
Upholstery	18,828	21,285
Total segment cost of sales	<u>\$ 46,489</u>	<u>\$ 48,915</u>
Restructuring related charge (1) (2)	931	769
Cost of Sales	<u>\$ 47,420</u>	<u>\$ 49,684</u>
Gross profit by segment:		
Bedding	\$ 3,102	\$ 2,444
Upholstery	3,611	4,315
Total segment gross profit	<u>\$ 6,713</u>	<u>\$ 6,759</u>
Restructuring related charge (1) (2)	(931)	(769)
Gross profit	<u>\$ 5,782</u>	<u>\$ 5,990</u>
Selling, general, and administrative expenses	(8,738)	(9,359)
Restructuring expense (3) (4)	(499)	(2,031)
Loss from operations	<u>\$ (3,455)</u>	<u>\$ (5,400)</u>
Interest expense	(199)	(30)
Interest income	249	244
Other expense	(694)	(508)
Loss before income taxes	<u>\$ (4,099)</u>	<u>\$ (5,694)</u>

- (1) During the three-month period ended November 2, 2025, cost of sales and gross profit included a restructuring related charge totaling \$931,000 for losses on the disposal, valuation, and markdowns of inventory related to the consolidation of our North American bedding operations and the consolidation of certain facilities related to transforming our operating model to one integrated Culp-branded business to reduce fixed costs. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (2) During the three-month period ended October 27, 2024, cost of sales and gross profit included a restructuring related charge totaling \$769,000 for losses on the disposal, valuation, and markdowns of inventory mostly related to the closure of the bedding manufacturing facility located in Quebec, Canada. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (3) During the three-month period ended November 2, 2025, restructuring expense totaling \$499,000 represented charges related to transforming our operating model and the consolidation of certain facilities to reduce fixed costs. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (4) During the three-month period ended October 27, 2024, restructuring expense totaling \$2.0 million mostly represented charges related to the consolidation of our North American bedding platform and the closure of the bedding manufacturing facility located in Quebec, Canada. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.

	Six Months Ended	
	November 2, 2025	October 27, 2024
Net sales by segment:		
Bedding	\$ 58,809	\$ 58,150
Upholstery	45,084	54,061
Net sales	<u>\$ 103,893</u>	<u>\$ 112,211</u>
Cost of Sales by segment:		
Bedding	\$ 52,765	\$ 56,032
Upholstery	37,187	44,228
Total segment cost of sales	<u>\$ 89,952</u>	<u>\$ 100,260</u>
Restructuring related charge (1) (2)	931	885
Cost of Sales	<u>\$ 90,883</u>	<u>\$ 101,145</u>
Gross profit by segment:		
Bedding	\$ 6,044	\$ 2,118
Upholstery	7,897	9,833
Total segment gross profit	<u>\$ 13,941</u>	<u>\$ 11,951</u>
Restructuring related charge (1) (2)	(931)	(885)
Gross profit	<u>\$ 13,010</u>	<u>\$ 11,066</u>
Selling, general, and administrative expenses	(17,858)	(18,655)
Restructuring credit (expense) (3) (4)	3,010	(4,662)
Loss from operations	<u>\$ (1,838)</u>	<u>\$ (12,251)</u>
Interest expense	(381)	(58)
Interest income	483	507
Other expense	(1,225)	(913)
Loss before income taxes	<u>\$ (2,961)</u>	<u>\$ (12,715)</u>

- (1) During the six-month period ended November 2, 2025, cost of sales and gross profit included a restructuring related charge totaling \$931,000 for losses on the disposal, valuation, and markdowns of inventory related to the consolidation of our North American bedding operations and the consolidation of certain facilities related to transforming our operating model to one integrated Culp-branded business to reduce fixed costs. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (2) During the six-month period ended October 27, 2024, cost of sales and gross profit included a restructuring related charge totaling \$885,000 for losses on the disposal, valuation, and markdowns of inventory mostly related to the closure of the bedding manufacturing facility located in Quebec, Canada. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (3) During the six-month period ended November 2, 2025, restructuring credit totaling \$3.0 million mostly represented a gain from the sale of the manufacturing facility located in Quebec, Canada totaling \$4.0 million, partially offset by charges related to transforming our operating model and the consolidation of certain facilities to reduce fixed costs. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.
- (4) During the six-month period ended October 27, 2024, restructuring expense totaling \$4.7 million mostly represented charges related to the consolidation of our North American bedding platform and the closure of the bedding manufacturing facility located in Quebec, Canada. See Note 10 to the consolidated financial statements for further details and a description of our restructuring activities.

Balance sheet information for our operating segments follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Segment assets:			
Bedding:			
Accounts receivable	\$ 11,199	\$ 10,352	\$ 10,576
Inventory	34,539	29,253	33,293
Property, plant and equipment (1)	21,088	24,702	23,259
Right of use assets (2)	—	275	125
Assets held for sale (3)	124	3,301	2,177
Total bedding assets	66,950	67,883	69,430
Upholstery:			
Accounts receivable	9,443	11,978	11,268
Inventory	15,402	15,879	16,016
Property, plant and equipment (4)	785	1,188	1,010
Right of use assets (5)	1,224	1,120	2,678
Total upholstery assets	26,854	30,165	30,972
Total segment assets	93,804	98,048	100,402
Non-segment assets:			
Cash and cash equivalents	10,728	10,531	5,629
Short-term investments - rabbi trust	1,415	919	1,325
Short-term notes receivable	5,017	522	280
Current income taxes receivable	—	979	—
Other current assets	2,493	3,187	2,970
Long-term notes receivable	1,011	1,324	1,182
Deferred income taxes	465	559	637
Property, plant and equipment (6)	515	620	567
Right of use assets (7)	2,800	2,844	3,105
Intangible assets	771	1,688	960
Long-term investments - rabbi trust	5,637	7,105	5,722
Other assets	593	661	591
Total assets	\$ 125,249	\$ 128,987	\$ 123,370

- (1) The \$21.1 million as of November 2, 2025, represents property, plant, and equipment of \$20.2 million and \$842,000 located in the U.S. and Haiti, respectively. The \$24.7 million as of October 27, 2024, represents property, plant, and equipment of \$22.2 million, \$1.6 million, and \$889,000 located in the U.S., Canada, and Haiti, respectively. The \$23.3 million as of April 27, 2025, represents property, plant, and equipment of \$22.3 million and \$955,000 located in the U.S. and Haiti, respectively.
- (2) As of November 2, 2025, the bedding segment did not have any right of use assets due to the closure of their leased facilities located in Ouanaminthe, Haiti and Quebec, Canada. The \$275,000 and \$125,000 as of October 27, 2024, and April 27, 2025, respectively, represents a right of use asset located in Haiti.
- (3) The \$124,000 as of November 2, 2025, represents assets held for sale located in the U.S. The \$3.3 million as of October 27, 2024, represents assets held for sale of \$2.9 million and \$358,000 located in Canada and the U.S., respectively. The \$2.2 million as of April 27, 2025, represents assets held for sale located in Canada.
- (4) The \$785,000 as of November 2, 2025, represents property, plant, and equipment of \$737,000 and \$48,000 located in the U.S. and China, respectively. The \$1.2 million as of October 27, 2024, represents property, plant, and equipment of \$1.1 million and \$95,000 located in the U.S. and China, respectively. The \$1.0 million as of April 27, 2025, represents property, plant, and equipment of \$940,000 and \$70,000 located in the U.S. and China, respectively.
- (5) The \$1.2 million as of November 2, 2025, represents right of use assets of \$725,000 and \$499,000 located in China and the U.S., respectively. The \$1.1 million as of October 27, 2024, represents right of use assets of \$925,000 and \$195,000 located in the U.S. and China, respectively. The \$2.7 million as of April 27, 2025, represents right of use assets of \$1.7 million and \$1.0 million located in China and the U.S., respectively.
- (6) The \$515,000, \$620,000, and \$567,000 as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively, represents property, plant, and equipment located in the U.S.

- (7) The \$2.8 million, \$2.8 million, and \$3.1 million as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively, represent right of use assets located in the U.S.

Information about capital expenditures and depreciation expense for our operating segments follows:

(dollars in thousands)	Six Months Ended	
	November 2, 2025	October 27, 2024
Capital expenditures (1):		
Bedding	\$ 141	\$ 812
Upholstery	50	265
Non-Segment	43	761
Total capital expenditures	\$ 234	\$ 1,838
Depreciation expense:		
Bedding	\$ 1,736	\$ 2,468
Upholstery	80	84
Selling, general and administrative	352	525
Total depreciation expense	\$ 2,168	\$ 3,077
Accelerated depreciation expense (2) (3)	109	1,340
Total	\$ 2,277	\$ 4,417

- (1) Capital expenditures are stated on an accrual basis. See Consolidated Statements of Cash Flows for capital expenditures on a cash basis.
- (2) During the six-month period ended November 2, 2025, accelerated depreciation expense totaling \$109,000 related to the upholstery segment and was classified within restructuring credit in the Consolidated Statement of Net Loss. The accelerated depreciation expense pertained to the shortening of useful lives of equipment related to the consolidation of distribution activities from our Burlington, North Carolina facility to the manufacturing and distribution center located in Stokesdale, North Carolina.
- (3) During the six-month period ended October 27, 2024, accelerated depreciation expense totaling \$1.3 million related to the bedding segment and was classified within restructuring expense in the Consolidated Statement of Net Loss. The accelerated depreciation expense related to the shortening of useful lives of equipment associated with the closure of our bedding operation located in Quebec, Canada.

15. Income Taxes

Effective Income Tax Rate

We recorded income tax expense of \$1.6 million, or (53.2)% of loss before income taxes, for the six-month period ended November 2, 2025, compared with income tax expense of \$190,000, or (1.5)% of loss before income taxes, for the six-month period ended October 27, 2024.

Our consolidated effective income tax rates for the six-month periods ended November 2, 2025, and October 27, 2024, were based upon the estimated effective income tax rate applicable for the full year after giving effect to any significant items related specifically to interim periods. When calculating the annual estimated effective income tax rates for the six-month periods ended November 2, 2025, and October 27, 2024, we were subject to loss limitation rules. These loss limitation rules require any pre-tax loss associated with our U.S. or foreign operations to be excluded from the annual estimated effective income tax rate calculation if it was determined that no income tax benefit could be recognized during the current fiscal year. The effective income tax rate can be affected over the fiscal year by the mix and timing of actual earnings from our U.S. operations and foreign subsidiaries located in China, Canada, Haiti, and Vietnam versus annual projections, as well as changes in foreign currency exchange rates in relation to the U.S. dollar.

The following schedule summarizes the principal differences between income tax expense at the U.S. federal income tax rate and the effective income tax rate reflected in the consolidated financial statements for the six-month periods ended November 2, 2025, and October 27, 2024:

	November 2, 2025	October 27, 2024
U.S. federal income tax rate	21.0%	21.0%
U.S. valuation allowance	(55.7)	(18.8)
Withholding taxes associated with foreign jurisdictions	(6.2)	(0.7)
U.S. global intangible low tax income tax (GILTI)	(8.1)	—
Tax effects of local currency foreign exchange loss	(2.1)	(4.5)
Stock-based compensation	(0.8)	(0.4)
Uncertain income tax positions	0.6	2.6
Foreign income tax rate differential	(0.1)	—
Other (1)	(1.8)	(0.7)
Consolidated effective income tax rate (1) (2) (3)	(53.2)%	(1.5)%

- (1) "Other" for all periods presented represents miscellaneous adjustments that pertain to U.S. permanent differences such as meals and entertainment, income tax provision to return adjustments, and other miscellaneous items.
- (2) Our consolidated effective income tax rates were adversely affected by the mix of earnings between our U.S. operations and foreign subsidiaries, as our taxable income stemmed from our operations located in China and a gain from the sale of Property located in Canada during the first quarter of fiscal 2026 (see Notes 8 and 10 of the consolidated financial statements for further details), which such jurisdictions have higher income tax rates than the U.S. In addition, we applied a full valuation allowance against our U.S. net deferred income tax assets during the first half of fiscal 2026 and 2025. Consequently, an income tax benefit was not recognized for pre-tax losses associated with our U.S. operations totaling \$(8.1) million and \$(12.4) million that were incurred during the first half of fiscal 2026 and 2025, respectively. Lastly, our consolidated effective income tax rates were also adversely affected by pre-tax losses associated with our Haitian operations, which are not subject to income tax. Our Haitian operations are located in an economic zone that permits a 0% income tax rate for the first fifteen years of operations, for which we have seven years remaining. As a result of the 0% income tax rate, an income tax benefit was not recognized for the pre-tax losses associated with our Haitian operations totaling \$(565,000) and \$(727,000) that were incurred during the first half of fiscal 2026 and 2025, respectively.
- (3) During the first half of fiscal 2026, we incurred a consolidated pre-tax loss of \$(3.0) million, compared with a significantly higher consolidated pre-tax loss of \$(12.7) million during the first half of fiscal 2025. As a result, the principal differences between income tax expense at the U.S. federal income tax rate and the effective income tax rate reflected in the consolidated financial statements were more pronounced during the first half of fiscal 2026, as compared with the first half period of fiscal 2025.

One Big Beautiful Bill Act ("OBBBA")

On July 4, 2025, OBBBA was signed into law, making several provisions of the 2017 Tax Cuts and Jobs Act ("TCJA") permanent. Such provisions include: (i) no change to the standard corporate tax rate of 21.0%; (ii) increased depreciation allowances for certain property acquired after January 19, 2025; (iii) deduction of certain U.S. research and development expenditures; (iv) limitations on the deductibility of business interest expense; and (v) modifications to GILTI and foreign-derived intangible income. Topic 740 *Income Taxes*, requires the income tax effects of changes in tax laws or rates to be recognized at the date of enactment. Accordingly, we evaluated the provisions of OBBBA and determined OBBBA did not have an impact on our consolidated effective income tax rate, income tax expense, or our U.S. net deferred income tax assets during the six-months ended November 2, 2025, due to the application of a full valuation allowance applied against our U.S. net deferred income tax assets described in the below section titled - *U.S. Valuation Allowance*.

U.S. Valuation Allowance

We evaluate the realizability of our U.S. net deferred income tax assets to determine if a valuation allowance is required. We assess whether a valuation allowance should be established based on the consideration of all available evidence using a

“more-likely-than-not” standard, with significant weight being given to evidence that can be objectively verified. Since the company operates in multiple jurisdictions, we assess the need for a valuation allowance on a jurisdiction-by-jurisdiction basis, considering the effects of local tax law.

As of November 2, 2025, we evaluated the realizability of our U.S. net deferred income tax assets to determine if a full valuation allowance was required. Based on our assessment, we determined we still have a recent history of significant cumulative U.S. pre-tax losses in that we experienced U.S. pre-tax losses during each of the last three fiscal years from 2023 through 2025, and we currently expect significant U.S. pre-tax losses to continue during fiscal 2026. As a result of the significant weight of this negative evidence, we believe it is more-likely-than-not that our U.S. net deferred income tax assets will not be fully realizable, and therefore we provided for a full valuation allowance against our U.S. net deferred income tax assets.

Based on our assessments as of November 2, 2025, October 27, 2024, and April 27, 2025, valuation allowances against our net deferred income tax assets pertain to the following:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
U.S. federal and state net deferred income tax assets	\$ 25,623	\$ 22,060	\$ 23,973
U.S. capital loss carryforward	2,330	2,330	2,330
	<u>\$ 27,953</u>	<u>\$ 24,390</u>	<u>\$ 26,303</u>

Undistributed Earnings

We assess whether the undistributed earnings from our foreign subsidiaries will be reinvested indefinitely or eventually distributed to our U.S. parent company and whether we are required to record a deferred income tax liability for those undistributed earnings from foreign subsidiaries that will not be reinvested indefinitely. As of November 2, 2025, we assessed the liquidity requirements of our U.S. parent company and determined that our undistributed earnings and profits from our foreign subsidiaries would not be reinvested indefinitely and would eventually be distributed to our U.S. parent company. The conclusion reached from this assessment was consistent with prior reporting periods.

A U.S. corporation is allowed a 100% dividend-received deduction for earnings and profits received from a 10% or more owned foreign corporation. Therefore, a deferred income tax liability will be required only for unremitted withholding taxes associated with earnings and profits generated by our foreign subsidiaries that will ultimately be repatriated to the U.S. parent company. As a result, as of November 2, 2025, October 27, 2024, and April 27, 2025, we recorded a deferred income tax liability of \$5.4 million, \$5.0 million, and \$5.2 million, respectively.

Uncertain Income Tax Positions

An unrecognized income tax benefit for an uncertain income tax position can be recognized in the first interim period if the more-likely-than-not recognition threshold is met by the end of the reporting period, or is effectively settled through examination, negotiation, or litigation, or if the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired. If it is determined that any of the above conditions occur regarding our uncertain income tax positions, an adjustment to our unrecognized income tax benefit will be recorded at that time.

As of November 2, 2025, October 27, 2024, and April 27, 2025, we had \$845,000, \$1.4 million, and \$790,000 of total gross unrecognized income tax benefits, of which the entire amount was classified as income taxes payable – long-term in the accompanying Consolidated Balance Sheets. These unrecognized income tax benefits would favorably affect income tax expense in future periods by \$845,000, \$1.4 million, and \$790,000 as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

Our gross unrecognized income tax benefit of \$845,000 as of November 2, 2025, relates to an income tax position for which significant change is currently not expected within the next year.

Income Taxes Paid

The following table sets forth income taxes paid by jurisdiction:

<i>(dollars in thousands)</i>	Six Months Ended November 2, 2025	Six Months Ended October 27, 2024
U.S. Federal - Transition Tax Payment	831	665
U.S. State - Income Tax Payment	4	—
Canada - Income Tax Payments	572	—
China - Income Tax Payments	279	578
	<u>\$ 1,686</u>	<u>\$ 1,243</u>

16. Stock-Based Compensation

Equity Incentive Plan Description

On September 16, 2015, our shareholders approved an equity incentive plan titled the Culp, Inc. 2015 Equity Incentive Plan (the “2015 Plan”). The 2015 Plan authorizes the grant of stock options intended to qualify as incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, time-based restricted stock units, performance-based restricted stock units, and other equity and cash related awards as determined by the Compensation Committee of our board of directors. An aggregate of 1,200,000 shares of common stock were authorized for issuance under the 2015 Plan, with certain sub-limits that would apply with respect to specific types of awards that may be issued as defined in the 2015 Plan. Effective September 27, 2023, our shareholders approved an amendment and restatement of the 2015 Plan (the “Amended and Restated Plan”). The Amended and Restated Plan authorizes the issuance of an additional 960,000 shares of common stock in addition to the shares of common stock still available for issuance under the 2015 Plan. The Amended and Restated Plan also removed certain sub-limits that previously applied with respect to specific types of awards that may be issued under the 2015 plan.

As of November 2, 2025, there were 407,964 shares available for future equity-based grants under the Amended and Restated Plan.

Performance-Based Restricted Stock Units

On August 7, 2025, we granted performance-based restricted stock units to senior executives which could earn up to a certain number of shares of common stock if performance targets related to adjusted EBITDA were met over the performance period defined in the related restricted stock unit award agreements. The number of shares of common stock that are earned based on performance targets that have been achieved are not adjusted based on a market-based total shareholder return component. Accordingly, fair market value was measured based on the closing price of our common stock on the date of grant.

On August 8, 2024, January 8, 2024, and September 28, 2023, we granted performance-based restricted stock units to senior executives which could earn up to a certain number of shares of common stock if performance targets related to operating income were met over performance periods defined in the related restricted stock unit award agreements. The number of shares of common stock that are earned based on performance targets that have been achieved may be adjusted based on a market-based total shareholder return component as defined in the related restricted stock unit award agreements. Accordingly, fair market value was measured using the Monte Carlo simulation model for the market-based total shareholder return component and the closing price of our common stock for the performance-based component on the date of grant.

The following table provides assumptions used to determine the fair market value of the market-based total shareholder return component using the Monte Carlo simulation model on our outstanding performance-based restricted stock units granted to senior executives on August 8, 2024, January 8, 2024, and September 28, 2023:

	August 8, 2024	January 8, 2024	September 28, 2023
Closing price of our common stock	\$ 4.65	\$ 5.61	\$ 5.59
Expected volatility of our common stock	35.0 %	33.5 %	37.3 %
Expected volatility of peer companies	22.6 - 104.0 %	33.7 - 102.6 %	35.7 - 91.5 %
Risk-free interest rate	3.90 %	4.3 %	4.9 %
Dividend yield	0.00 %	0.00 %	0.00 %
Correlation coefficient of peer companies	(0.01) - 0.17	0.01 - 0.21	0.01 - 0.21

The following table summarizes information related to our grants of performance-based restricted stock units associated with senior executives that were unvested as of November 2, 2025:

Date of Grant	(1) Performance-Based Restricted Stock Units Awarded	(2) Restricted Stock Units Expected to Vest	Price Per Share	Vesting Period
August 7, 2025	326,325	65,265	\$ 4.23	(3) 3 years
August 8, 2024	505,003	—	\$ 5.35	(4) 3 years
January 8, 2024	16,399	4,238	\$ 6.23	(5) 31 months
September 28, 2023	62,569	—	\$ 6.43	(6) 34 months

- (1) Amounts represent the maximum number of common stock shares that could be earned if certain performance targets are met as defined in the related restricted stock unit agreements as of the date of grant.
- (2) Compensation cost is based on an assessment each reporting period to determine the probability of whether or not certain performance targets will be met and how many shares are expected to be earned as of the end of the vesting period. These amounts represent the number of shares that are expected to vest as of November 2, 2025.
- (3) Price per share represents the closing price of our common stock on the date the respective award was granted.
- (4) Price per share represents the fair market value per share (\$1.15 per \$1, or an increase of \$0.70 to the closing price of our common stock on the date of grant) determined using the Monte Carlo simulation model for the market-based total shareholder return component and the closing price of our common stock (\$4.65) for the performance-based component of the performance-based restricted stock units granted to senior executives on August 8, 2024.
- (5) Price per share represents the fair market value per share (\$1.11 per \$1, or an increase of \$0.62 to the closing price of our common stock on the date of grant) determined using the Monte Carlo simulation model for the market-based total shareholder return component and the closing price of our common stock (\$5.61) for the performance-based component of the performance-based restricted stock units granted to a senior executive on January 8, 2024.
- (6) Price per share represents the fair market value per share (\$1.15 per \$1, or an increase of \$0.84 to the closing price of our common stock on the date of grant) determined using the Monte Carlo simulation model for the market-based total shareholder return component and the closing price of our common stock (\$5.59) for the performance-based component of the performance-based restricted stock units granted to senior executives on September 28, 2023.

There were no performance-based restricted stock units that vested during the six-month periods ended November 2, 2025, and October 27, 2024, respectively.

We recorded compensation expense of \$29,000 and \$33,000 within selling, general, and administrative expenses associated with our performance-based restricted stock unit awards for the six-month periods ended November 2, 2025, and October 27, 2024, respectively. Compensation expense is recorded based on an assessment each reporting period to determine the probability of whether or not certain performance targets will be met and how many shares are expected to be earned as of the end of the vesting period. If certain performance goals are not expected to be achieved, compensation expense would not be recorded, and any previously recognized compensation expense would be reversed.

As of November 2, 2025, the remaining unrecognized compensation expense related to our performance-based restricted stock units was \$261,000, which is expected to be recognized over a weighted average vesting period of 2.6 years. As of November 2, 2025, performance-based restricted stock units that are expected to vest had a fair value of \$279,000.

Time-Based Restricted Stock Units

The following table summarizes information related to our grants of time-based restricted stock unit awards associated with senior executives, key employees, and outside directors that were unvested as of November 2, 2025:

Date of Grant	Time-Based Restricted Stock Units Outstanding	(1) Price Per Share	Vesting Period
September 25, 2025 (2)	80,336	\$ 4.17	1 year
August 7, 2025 (3)	15,900	\$ 4.23	3 years
January 6, 2025 (3)	21,506	\$ 5.69	3 years
August 8, 2024 (3)	17,900	\$ 4.65	3 years
January 8, 2024 (3)	14,758	\$ 5.61	31 months
September 28, 2023 (3)	86,551	\$ 5.59	34 months

(1) Price per share represents closing price of our common stock on the date the respective award was granted.

(2) Time-based restricted stock units awarded to outside directors.

(3) Time-based restricted stock units awarded to senior executives and key employees.

During the six-month period ended November 2, 2025, time-based restricted stock units totaling 119,931 vested at a fair value of \$531,000, or \$4.43 per share. During the six-month period ended October 27, 2024, time-based restricted stock units totaling 103,320 vested at a fair value of \$581,000, or \$5.63 per share.

We recorded compensation expense of \$304,000 and \$332,000 within selling, general, and administrative expenses associated with our time-based restricted stock unit awards for the six-month periods ended November 2, 2025, and October 27, 2024, respectively.

As of November 2, 2025, the remaining unrecognized compensation expense related to our time-based restricted stock units was \$651,000, which is expected to be recognized over a weighted average vesting period of 1.3 years. As of November 2, 2025, the time-based restricted stock units that are expected to vest had a fair value totaling \$953,000.

17. Leases

Overview

We lease manufacturing facilities, showroom and office space, distribution centers, and equipment under operating lease arrangements. Our operating leases have remaining lease terms of one to six years, with renewal options for additional periods ranging up to twelve years.

Balance Sheet

The right of use assets and lease liabilities associated with our operating leases as of November 2, 2025, October 27, 2024, and April 27, 2025, are as follows:

(dollars in thousands)	November 2, 2025	October 27, 2024	April 27, 2025
Right of use assets	\$ 4,024	\$ 4,239	\$ 5,908
Operating lease liability - current	1,609	1,108	2,394
Operating lease liability - long-term	1,477	1,958	2,535

Supplemental Cash Flow Information

(dollars in thousands)	Six Months Ended November 2, 2025	Six Months Ended October 27, 2024
Operating lease liability payments	\$ 1,363	\$ 1,319
Right of use assets exchanged for lease liabilities	—	—

Operating lease expense for the three-month periods ended November 2, 2025 and October 27, 2024 was \$666,000 and \$643,000, respectively. Operating lease expense for each of the six-month periods ended November 2, 2025 and October 27, 2024, was \$1.4 million. Short-term lease and variable lease expenses were immaterial for the three-month and six-month periods ended November 2, 2025 and October 27, 2024.

Other Information

Maturity of our operating lease liabilities for the remainder of fiscal 2026 and the subsequent five fiscal years follows:

<i>(dollars in thousands)</i>		
2026		893
2027		1,279
2028		388
2029		227
2030		229
2031		348
	\$	3,364
Less: interest		(278)
Present value of lease liabilities	\$	3,086

As of November 2, 2025, the weighted average remaining lease term and discount rate for our operating leases follows:

	November 2, 2025
Weighted average lease term (in years)	3.13
Weighted average discount rate	5.54%

18. Commitments and Contingencies

Litigation

The company is involved in legal proceedings and claims which arise in the ordinary course of business. Management has determined that these actions, when ultimately concluded or settled, will not have a material adverse effect on the company's financial position, results of operations, or cash flows.

19. Statutory Reserves

Our subsidiary located in China was required to transfer 10% of its net income, as determined in accordance with the People's Republic of China (PRC) accounting rules and regulations, to a statutory surplus reserve fund until such reserve balance reached 50% of the company's registered capital. As of November 2, 2025, the statutory surplus reserve fund represents the 50% registered capital requirement, and therefore, our subsidiary located in China is no longer required to transfer 10% of its net income in accordance with PRC accounting rules and regulations.

The transfer to this reserve fund must be made before distributions of any dividend to shareholders. As of November 2, 2025, the company's statutory surplus reserve was \$4.1 million. The statutory surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any. The statutory surplus reserve fund may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently held by them provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

The company's subsidiary located in China can transfer funds to the parent company, except for the statutory surplus reserve of \$4.1 million, to assist with debt repayment, capital expenditures, and other expenses of the company's business.

20. Common Stock Repurchase Program

In March 2020, our board of directors approved an authorization for us to acquire up to \$5.0 million of our common stock. Under this common stock repurchase program, shares may be purchased from time to time in open market transactions, block trades, through plans established under the Securities Exchange Act Rule 10b5-1, or otherwise. The number of shares purchased and the timing of such purchases are based on working capital requirements, market and general business conditions, and other factors.

We did not repurchase any shares of common stock during the six-month periods ended November 2, 2025, and October 27, 2024, respectively. As of November 2, 2025, \$3.2 million is available for additional repurchases of our common stock.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This report 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. 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,” “will,” “may,” “should,” “could,” “potential,” “continue,” “target,” “predict,” “seek,” “anticipate,” “estimate,” “intend,” “plan,” “project,” and their derivatives, and include but are not limited to statements about expectations, projections, or trends for our future operations, strategic initiatives and plans, restructuring and integration actions, production levels, new product launches, sales, profit margins, profitability, operating (loss) income, capital expenditures, working capital levels, cost savings (including, without limitation, anticipated cost savings from restructuring and integration actions), income taxes, SG&A or other expenses, pre-tax (loss) income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding dividends, share repurchases, liquidity, use of cash and cash requirements, ending cash balances and cash positions, borrowing capacity, investments, potential acquisitions, cash and non-cash restructuring and restructuring-related charges, expenses, and/or credits, net proceeds from restructuring-related asset dispositions, future economic or industry trends, public health epidemics, or other 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. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, including changes in U.S. trade enforcement priorities, 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. 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 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. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the coronavirus pandemic, could also adversely affect our operations and financial performance. In addition, the impact of potential asset impairments, including impairments of property, plant, and equipment, inventory, or intangible assets, as well as the impact of valuation allowances applied against our net deferred income tax assets, 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. Also, our success in diversifying our supply chain with reliable partners to effectively service our global platform could affect our operations and adversely affect our financial results. Finally, the future performance of our business also depends on our ability to achieve our expected cost savings from past restructuring programs and to return our restructured bedding business to profitability, as well as our ability to successfully integrate our bedding and upholstery divisions and achieve the anticipated operating efficiency and cost reduction benefits of that and similar cost-reduction and efficiency initiatives. 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.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this report as anticipated, believed, estimated, expected, intended, planned or projected. The forward-looking statements included in this report are made only as of the date of this report. Unless required by United States federal securities laws, we neither intend nor assume any obligation to update these forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations. 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. Additional risks and uncertainties that we do not presently know about or that we currently consider to be immaterial may also affect our business operations or financial results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes and other exhibits included elsewhere in this report.

General

Our fiscal year is the 52 or 53-week period ending on the Sunday closest to April 30. The company's six months ended November 2, 2025, and October 27, 2024, represent 27-week and 26-week periods, respectively. We refer to the three months ended November 2, 2025 as the "second quarter" and the three months ended October 27, 2024 as the "comparable quarter".

Our operations are classified into two business segments: bedding (formerly known as mattress fabrics) and upholstery (formerly known as upholstery fabrics).

Bedding

The bedding segment manufactures, sources, and sells fabrics and mattress covers primarily to bedding manufacturers. Currently, we have a mattress fabrics manufacturing operation located in Stokesdale, North Carolina, and a sewn mattress cover operation located in Ouanaminthe, Haiti.

On April 29, 2024 (the first quarter of fiscal 2025), our board of directors made a decision to: (1) consolidate the company's North American bedding operations, including the closure and sale of the company's manufacturing facility and related land ("collectively referred to as the "Property") located in Quebec, Canada; (2) move a portion of the knitting and finishing capacity from the facility located in Quebec, Canada, to the company's manufacturing facility located in Stokesdale, North Carolina; (3) transition the bedding segment's weaving operation to a strategic sourcing model through the company's long standing supply partners; (4) consolidate the company's sewn mattress cover operation located in Ouanaminthe, Haiti, from two leased facilities into one building and reduce other operating expenses at this location; and (5) reduce unallocated corporate expenses and shared service expenses. Refer to Note 10 of the consolidated financial statements for further details regarding this restructuring activity.

Upholstery

The upholstery segment develops, sources, manufactures, and sells fabrics primarily to residential, commercial, and hospitality furniture manufacturers. Currently, we have upholstery fabric operations located in Shanghai, China, Burlington, North Carolina, and Vietnam.

Also, Read Window Products, LLC ("Read"), is a wholly owned subsidiary that provides window treatments and sourcing of upholstery fabrics and other products, as well as related measuring and installation services, to customers in the hospitality and commercial markets. Read also supplies soft goods such as decorative top sheets, coverlets, duvet covers, bed skirts, bolsters, and pillows. On April 24, 2025 (the fourth quarter of fiscal 2025), the company announced a strategic transformation of its operating model that will combine certain activities within the bedding and upholstery business segments and create one integrated Culp-branded business. As part of this strategic transformation, we are closing our leased facilities operated by our upholstery segment located in Burlington, North Carolina, and Knoxville, Tennessee, and are currently transitioning their production and distribution activities to a shared management model within our owned facility located in Stokesdale, North Carolina, which has historically been solely operated by our bedding segment. Refer to Note 10 of the consolidated financial statements for further details regarding this restructuring activity.

Executive Summary

Consolidated Results of Operations

(dollars in thousands)	Three Months Ended		Change
	November 2, 2025	October 27, 2024	
Net sales	\$ 53,202	\$ 55,674	(4.4)%
Gross profit	5,782	5,990	(3.5)%
Gross profit margin	10.9%	10.8%	10bp
Selling, general, and administrative expenses	8,738	9,359	(6.6)%
Restructuring expense	499	2,031	(75.4)%
Loss from operations	(3,455)	(5,400)	(36.0)%
Operating margin	(6.5)%	(9.7)%	320bp
Loss before income taxes	(4,099)	(5,694)	(28.0)%
Income tax (expense) benefit	(207)	50	(514.0)%
Net loss	(4,306)	(5,644)	(23.7)%

(dollars in thousands)	Six Months Ended		Change
	November 2, 2025	October 27, 2024	
Net sales	\$ 103,893	\$ 112,211	(7.4)%
Gross profit	13,010	11,066	17.6%
Gross margin	12.5%	9.9%	260bp
Selling, general, and administrative expenses	17,858	18,655	(4.3)%
Restructuring credit (expense)	3,010	(4,662)	N.M.
Loss from operations	(1,838)	(12,251)	(85.0)%
Operating margin	(1.8)%	(10.9)%	910bp
Loss before income taxes	(2,961)	(12,715)	(76.7)%
Income tax expense	(1,576)	(190)	729.5%
Net loss	(4,537)	(12,905)	(64.8)%

Net Sales

Overall, our consolidated net sales for the second quarter of fiscal 2026 decreased by (4.4)% compared with the same period a year ago, with bedding sales increasing by 2.3% and upholstery sales decreasing by (12.3)%. Our consolidated net sales for the first half of fiscal 2026 decreased by (7.4)%, compared with the same period a year ago, with bedding sales increasing by 1.1% and upholstery sales decreasing by (16.6)%.

Market conditions in the home furnishings and bedding industry remain unsettled, with consumer uncertainty and subdued housing activity continuing to pressure demand and weigh on unit sales. Despite these challenges, as well as added complexity from global trade and tariff dynamics, our consolidated net sales improved sequentially from the first quarter (which included an additional week), with bedding sales growing both sequentially and year-over-year supported by solid trends in our knit fabric and sewn cover product lines. We also continue to gain market share in key bedding customer segments. Encouragingly, the bedding market shows some signs of stabilization—albeit at lower levels—and we anticipate some potential demand improvement driven by product replacement cycles.

Upholstery sales were flat sequentially with the first quarter but declined year-over-year, reflecting the broader softness in the home furnishings market and its impact on residential upholstery. Residential upholstery sales within our U.S. customer base remained relatively stable during the quarter, while direct sales to customers in China and other regions faced some more localized challenges. Sales in our commercial and hospitality upholstery business were down year-over-year, with demand in that area affected by project delays tied to current macroeconomic and market uncertainty.

While the markets we serve continue to face headwinds, the recently completed restructuring of our bedding platform coupled with the completion of several additional restructuring and integration initiatives in the second half of the fiscal year will give us an optimized global platform for bedding and upholstery products that is unique in the home furnishings industry. We believe this platform, combined with our strengths in product development and customer service, positions us to capture additional market share in the current environment and accelerate sales growth as conditions improve.

See the Segment Analysis section below for further details.

Gross Profit

Consolidated gross profit for the second quarter of fiscal 2026 was \$5.8 million, a decrease of (3.5)%, compared with consolidated gross profit of \$6.0 million for the second quarter of fiscal 2025, with bedding gross profit increasing 26.9% and upholstery gross profit decreasing (16.3)%. Consolidated gross profit for the first half of fiscal 2026 was \$13.0 million, an increase of \$1.9 million, or 17.6%, compared with consolidated gross profit of \$11.1 million for the first half of fiscal 2025, with bedding gross profit increasing \$3.9 million, or 185.4%, and upholstery gross profit decreasing \$(1.9) million, or (19.7)%.

Lower upholstery sales volumes impacted gross profitability during the quarter, but the cost reductions and efficiency gains in the bedding segment following the restructuring initiatives completed in fiscal 2025 drove overall improvement in consolidated gross profit for the first half of the year.

See the Segment Analysis section below for further details.

Loss Before Income Taxes

Overall, our loss before income taxes for the second quarter of fiscal 2026 was \$(4.1) million, an improvement of \$1.6 million, or 28.0%, compared with loss before income taxes of \$(5.7) million for the same period a year ago. Overall, our loss before income taxes for the first half of fiscal 2026 was \$(3.0) million, an improvement of \$9.8 million, or 76.7%, compared with loss before income taxes of \$(12.7) million for the same period a year ago.

Our operating performance continues to benefit from the lower costs and efficiencies flowing from our recently restructured bedding manufacturing platform, as well as additional actions to reduce selling, general and administrative expenses, which were lower during the quarter. Excluding restructuring and related expenses, our operating performance improved significantly year-over-year despite lower upholstery sales volumes.

We continue to make adjustments to our business following the restructuring of our bedding platform in fiscal 2025, including consolidations of our upholstery distribution and Read window treatment operations into our owned U.S. manufacturing campus and the reduction of our facility footprint in China, all of which are on track for completion this fiscal year. We expect these additional initiatives, along with recently implemented price increases to mitigate tariff impacts, to further enhance our overall operating profile going forward.

Income Taxes

We recorded income tax expense of \$1.6 million, or (53.2)% of loss before income taxes, for the six-month period ended November 2, 2025, compared with income tax expense of \$190,000, or (1.5)% of loss before income taxes, for the six-month period ended October 27, 2024.

Our consolidated effective income tax rates were adversely affected by the mix of earnings between our U.S. operations and foreign subsidiaries, as our taxable income stemmed from our operations located in China and a gain from the sale of Property located in Canada during the first quarter of fiscal 2026 (see Notes 8 and 10 of the consolidated financial statements for further details), which such jurisdictions have higher income tax rates than the U.S. In addition, we applied a full valuation allowance against our U.S. net deferred income tax assets during the first half of fiscal 2026 and 2025. Consequently, an income tax benefit was not recognized for pre-tax losses associated with our U.S. operations totaling \$(8.1) million and \$(12.4) million that were incurred during the first half of fiscal 2026 and 2025, respectively. Lastly, our consolidated effective income tax rates were also adversely affected by pre-tax losses associated with our Haitian operations, which are not subject to income tax. Our Haitian operations are located in an economic zone that permits a 0% income tax rate for the first fifteen years of operations, for which we have seven years remaining. As a result of the 0% income tax rate, an income tax benefit was not recognized for the pre-tax losses associated with our Haitian operations totaling \$(565,000) and \$(727,000) that were incurred during the first half of fiscal 2026 and 2025, respectively.

During the first half of fiscal 2026, we incurred a consolidated pre-tax loss of \$(3.0) million, compared with a significantly higher consolidated pre-tax loss of \$(12.7) million during the first half of fiscal 2025. As a result, the principal differences between income

tax expense at the U.S. federal income tax rate and the effective income tax rate reflected in the consolidated financial statements were more pronounced during the first half of fiscal 2026, as compared with the first half of fiscal 2025.

Refer to Note 15 of the consolidated financial statements for further details regarding our provision for income taxes.

Liquidity

As of November 2, 2025, our cash and cash equivalents (collectively, “cash”) totaled \$10.7 million, which represents an increase of \$5.1 million compared with cash of \$5.6 million as of April 27, 2025. This increase was due mostly to: (i) net borrowings on our lines of credit of \$5.3 million during the first half of fiscal 2026, an increase of \$1.3 million compared with the first half of fiscal 2025, and (ii) proceeds from the sale of property, plant, and equipment totaling \$979,000, partially offset by net cash used in operating activities of \$(1.2) million.

Our net cash used in operating activities of \$(1.2) million improved for the first half of fiscal 2026, compared with net cash used in operating activities of \$(2.6) million during the first half of fiscal 2025. This trend mostly reflects: (i) a decrease in cash losses from savings associated with our restructuring activities announced on May 1, 2024, and April 24, 2025 (refer to section titled “-- Segment Analysis -- Consolidated Other Income Statement Categories -- Restructuring Activities for further details regarding our restructuring initiatives), and (ii) an increase in cash flow from accounts receivable due to shorter payment trends associated with the upholstery segment during the second quarter of fiscal 2026, as we experienced a higher sales mix with customers who had longer credit terms during the fourth quarter of fiscal 2025; partially offset by: (i) a decrease in cash flow from inventory related to strategically sourcing certain fabrics that have longer lead times to acquire, rising prices, and tariffs imposed in accordance with U.S. trade policy, and (ii) a decrease in cash flow from accounts payable due to a decline in consumer demand.

We had outstanding borrowings totaling \$18.3 million under our line of credit agreements, of which \$11.3 million and \$7.0 million were reported in lines of credit-current and line of credit-long term, respectively, on the November 2, 2025, Consolidated Balance Sheet.

Segment Analysis

Our Chief Operating Decision Maker (“CODM”) is our Chief Executive Officer (“CEO”), who regularly reviews the financial results of the company on a consolidated and business segment basis for the purpose of evaluating financial and operating performance and allocation of resources to the individual segments noted above. Beginning in the first quarter of fiscal 2026, the CODM decided to use net sales and gross profit, excluding items that are not expected to occur on a regular basis (e.g. restructuring activities), as the primary measure of segment profit or loss. Previously, segment performance was primarily evaluated based on net sales and income (loss) from operations before unallocated corporate expenses and other items that are not expected to occur on a regular basis (e.g. restructuring activities). This change was made to align with internal management reporting and the decision-making processes affected by the strategic transformation of the company’s operating model announced on April 24, 2025, which combined certain activities within the bedding and upholstery business segments and created one integrated Culp-branded business. The CODM evaluates segment performance based on: (i) net sales, (ii) cost of sales, (iii) gross profit excluding items that are not expected to occur on a regular basis (i.e. restructuring related charges and credits), (iv) assets used in operations, which generally include accounts receivable, inventory, property, plant, and equipment, right of use assets, and assets held for sale; and (v) capital spending.

Cost of sales for each segment includes costs to develop, manufacture, or source our products, including costs such as raw material and finished goods purchases, direct and indirect labor, overhead, and incoming freight charges. Intangible assets are not included in segment assets, as these assets are not used by the CODM to evaluate the respective segment’s operating performance and allocate resources to the individual segments.

Bedding Segment

<i>(dollars in thousands)</i>	Three Months Ended		Change
	November 2, 2025	October 27, 2024	
Net sales	\$ 30,763	\$ 30,074	2.3%
Gross profit	3,102	2,444	26.9%
Gross profit margin	10.1%	8.1%	200bp

(dollars in thousands)	Six Months Ended		Change
	November 2, 2025	October 27, 2024	
Net sales	\$ 58,809	\$ 58,150	1.1%
Gross profit	6,044	2,118	185.4%
Gross profit margin	10.3%	3.6%	670bp

Net Sales

Bedding net sales increased 2.3% during the second quarter of fiscal 2026 compared with the same period a year ago. Bedding net sales for the first half of fiscal 2026 increased by 1.1%, compared with the same period a year ago.

We were able to increase our bedding sales during the quarter both sequentially and year-over-year despite continuing headwinds from the macroeconomic environment generally, and consumer purchasing hesitancy and muted housing activity more specifically, pressuring demand across the bedding market, as well as additional complexities and uncertainties created by the volatile global trade and tariff landscape. We continued to see growth in certain of our knit fabric and sewn cover product lines during the quarter, which supported our ability to gain market share in key customer segments.

Looking ahead, we see some encouraging indications that the bedding market may be stabilizing to a degree, although at lower unit levels, and we see potential for improvement in demand driven by product replacement cycles. We will continue to focus on expanding placements with key customers and growing market share to increase revenue, but expect continued sales pressure in the current macroeconomic environment. We continue to believe that significant future sales growth is dependent upon a broad industry recovery cycle along with improved economic and global trade stability. Moreover, ongoing geopolitical risks, including the conflicts in Ukraine and the Middle East, could also disrupt global markets and affect our sales.

Gross Profit (Loss)

Gross profit was \$3.1 million for the second quarter of fiscal 2026, an increase of 26.9%, compared with gross profit of \$2.4 million for the second quarter of fiscal 2025. Gross profit for the first half of fiscal 2026 was \$6.0 million, an increase of \$3.9 million, or 185.4%, compared with gross profit of \$2.1 million for the first half of fiscal 2025.

As anticipated, the cost reductions and efficiency improvements generated by the restructuring of our bedding segment in fiscal 2025, along with pricing adjustments, continued to drive significantly improving gross profit in this segment during the quarter. We anticipate continued profitability improvement and potential future gains supported by our segment integration initiatives and resulting shared management model.

Segment assets

Segment assets consist of accounts receivable; inventory; property, plant, and equipment; right of use assets; and assets held for sale:

(dollars in thousands)	November 2, 2025	October 27, 2024	April 27, 2025
Accounts receivable	\$ 11,199	\$ 10,352	\$ 10,576
Inventory	34,539	29,253	33,293
Property, plant & equipment	21,088	24,702	23,259
Right of use assets	\$ —	275	125
Assets held for sale	124	3,301	2,177
Total segment assets	\$ 66,950	\$ 67,883	\$ 69,430

Refer to Note 14 of the consolidated financial statements for disclosures regarding determination of our segment assets.

Accounts Receivable

As of November 2, 2025, accounts receivable of \$11.2 million increased by \$847,000, or 8.2%, compared with accounts receivable totaling \$10.4 million as of October 27, 2024. This increase was driven by an increase in net sales of 2.3% during the second quarter of fiscal 2026, compared with the same period a year ago. In addition, this increase reflects longer payment trends with key customers during the second quarter of fiscal 2026, compared with second quarter of fiscal 2025. Accordingly, days' sales outstanding increased to 33 days for the second quarter of fiscal 2026, from 31 days for the second quarter of fiscal 2025.

As of November 2, 2025, accounts receivable totaling \$11.2 million, increased by \$623,000, or 5.9%, compared with accounts receivable totaling \$10.6 million as of April 27, 2025. This increase represents an increase in net sales during the second quarter of fiscal 2026, compared with the fourth quarter of fiscal 2025. During the second quarter of fiscal 2026, bedding sales were \$30.8 million, an increase of \$3.6 million or 13.5%, compared with \$27.1 million during the fourth quarter of fiscal 2025. However, the increase in net sales was partially offset by faster payment trends with key customers during the second quarter of fiscal 2026, compared with the fourth quarter of fiscal 2025. Accordingly, days' sales outstanding decreased to 33 days for the second quarter of fiscal 2026, from 35 days for the fourth quarter of fiscal 2025.

Inventory

As of November 2, 2025, inventory of \$34.5 million increased by \$5.3 million, or 18.1%, compared with inventory totaling \$29.3 million as of October 27, 2024. In connection with the restructuring activity announced on May 1, 2024 (see Note 10 of the consolidated financial statements for further details), the increase in inventory reflects a transition to strategically source certain mattress fabrics with long-standing supply partners. As a result of this increased sourcing, more finished goods inventory is required to be on hand due to longer lead times to acquire products and accommodate our customers. In addition, the increase in inventory is also due to rising costs to produce and source inventory, along with tariffs imposed in accordance with U.S. trade policies related to imported products.

As of November 2, 2025, inventory of \$34.5 increased by \$1.2 million, or 3.7%, compared with inventory totaling \$33.3 million as of April 27, 2025. This increase in inventory is due primarily to rising costs to produce and source inventory, along with tariffs imposed in accordance with U.S. trade policies related to imported products.

Inventory turns were 3.2 for the second quarter of fiscal 2026, as compared with 4.1 for the second quarter of fiscal 2025, and 2.9 for the fourth quarter of fiscal 2025.

Property, Plant, & Equipment

Property, plant, and equipment has steadily decreased due to reduced capital spending stemming from current unfavorable macroeconomic conditions within the home furnishings and bedding industries, as well as restructuring initiatives commencing at the beginning of fiscal 2025 and continuing through the second quarter of fiscal 2026. See note 10 of the consolidated financial statements for further details and description of our restructuring activities.

The \$21.1 million as of November 2, 2025, represents property, plant, and equipment of \$20.2 million and \$842,000 located in the U.S. and Haiti, respectively. The \$24.7 million as of October 27, 2024, represents property, plant, and equipment of \$22.2 million, \$1.6 million, and \$889,000 located in the U.S., Canada, and Haiti, respectively. The \$23.3 million as of April 27, 2025, represents property, plant, and equipment of \$22.3 million and \$955,000 located in the U.S. and Haiti, respectively.

Right of Use Assets

Right of use assets have steadily decreased due to restructuring initiatives commencing at the beginning of fiscal 2025 and continuing through the second quarter fiscal 2026. In connection with these restructuring initiatives, right of use assets decreased due mostly to the termination of an agreement to lease a facility located in Ouanaminthe, Haiti, and the closure of two leased facilities located in Quebec, Canada.

As of November 2, 2025, the bedding segment did not have any right of use assets due to the closure of the above mentioned facilities. The \$275,000 and \$125,000 as of October 27, 2024, and April 27, 2025, respectively, represents a right of use asset located in Haiti.

Assets Held for Sale

Assets held for sale are associated with our restructuring initiatives commencing at the beginning of fiscal 2025 and continuing through the second quarter of fiscal 2026. Refer to Note 8 of the consolidated financial statements for further details.

Upholstery Segment

Net Sales

Three Months Ended							
(dollars in thousands)	November 2, 2025			October 27, 2024			% Change
Non-U.S. Produced	\$	21,021	94%	\$	22,372	87%	(6.0)%
U.S. Produced		1,418	6%		3,228	13%	(56.1)%
Total	\$	22,439	100%	\$	25,600	100%	(12.3)%

Six Months Ended							
(dollars in thousands)	November 2, 2025			October 27, 2024			% Change
Non-U.S. Produced	\$	41,729	93%	\$	47,709	88%	(12.5)%
U.S. Produced		3,355	7%		6,352	12%	(47.2)%
Total	\$	45,084	100%	\$	54,061	100%	(16.6)%

Upholstery net sales decreased (12.3)% during the second quarter of fiscal 2026 compared with the same period a year ago. Upholstery net sales for the first half of fiscal 2026 decreased by (16.6)%, compared with the same period a year ago.

Conditions in the upholstery market continue to be unsettled, impacting demand in our residential fabric business. The macroeconomic environment has also pressured project activity in the commercial and hospitality fabric markets we serve. Our year-over-year sales decline during the quarter is attributable to both of these dynamics, as well as the additional pressure on demand from tariff volatility. Despite the difficult environment, we were able to maintain relatively stable sales within our U.S. residential upholstery customer base during the quarter, offset by challenged revenue conditions within China and other countries.

Looking ahead, we expect conditions in the home furnishings market to continue to be in flux to some degree. However, as conditions ultimately do improve and a broad market recovery begins, we believe the scale and efficiency enhancements driven by the integration initiatives to be completed in our upholstery segment in fiscal 2026, along with our innovative product offerings and multi-location production and sourcing platforms, will position our upholstery segment to accelerate sales growth.

Notably, the macroeconomic impact of the ongoing geopolitical disruptions related to conflicts in Ukraine and the Middle East remain unknown and depend on factors beyond our control. At this time, we cannot reasonably estimate the impact on our upholstery fabrics segment, but we note that if conditions worsen, including shipping disruptions related to conflicts in the Middle East, the impact on our operations, and/or on our suppliers, customers, consumers, and the global economy, could adversely affect our financial performance.

Gross Profit

	Three Months Ended		
	November 2, 2025	October 27, 2024	Change
(dollars in thousands)			
Gross profit	\$ 3,611	\$ 4,315	(16.3)%
Gross margin	16.1%	16.9%	(80)bp

(dollars in thousands)	Six Months Ended		Change
	November 2, 2025	October 27, 2024	
Gross profit	\$ 7,897	\$ 9,833	(19.7)%
Gross margin	17.5%	18.2%	(70)bp

Upholstery gross profit was \$3.6 million for the second quarter of fiscal 2026, a decrease of \$(704,000), or (16.3)%, compared with upholstery gross profit of \$4.3 million for the second quarter of fiscal 2025. Upholstery gross profit for the first half of fiscal

2026 was \$7.9 million, a decrease of \$(1.9) million, or (19.7)%, compared with upholstery gross profit of \$9.8 million for the first half of fiscal 2025.

The profitability decline in our upholstery segment during the second quarter of fiscal 2026 primarily stems from lower comparable sales. Nevertheless, we were encouraged by our ability to sustain solid gross margins despite the challenging market conditions across home furnishings and residential upholstery.

Looking ahead, the residential home furnishings sector continues to face headwinds from shifting consumer spending patterns, global trade negotiations and tariff increases, inflationary pressures, declining home sales, and other macroeconomic factors affecting discretionary purchases. As a result, we expect the current low-demand environment for residential upholstery fabrics to weigh on profitability until the market enters a recovery cycle. To strengthen performance, we are consolidating our U.S. upholstery distribution and window treatment operations into our owned facility in North Carolina, with completion on track for fiscal 2026. These initiatives are expected to deliver meaningful profitability improvements. In addition, we are implementing further cost-reduction and efficiency measures, including rationalizing our facility footprint in China, which should be completed this fiscal year and enhance the upholstery segment's profitability profile. We remain prepared to make additional operational adjustments as needed to align with demand trends while continuing to deliver high-quality service to our customers.

Segment Assets

Segment assets consist of accounts receivable; inventory; property, plant, and equipment; and right of use assets:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
Accounts receivable	\$ 9,443	\$ 11,978	\$ 11,268
Inventory	15,402	15,879	16,016
Property, plant & equipment	785	1,188	1,010
Right of use assets	1,224	1,120	2,678
Total Segment Assets	\$ 26,854	\$ 30,165	\$ 30,972

Refer to Note 14 of the consolidated financial statements for disclosures regarding determination of our segment assets.

Accounts Receivable

As of November 2, 2025, accounts receivable of \$9.4 million decreased by \$(2.5) million, or (21.2)%, compared with \$12.0 million as of October 27, 2024. This trend was driven by a decrease in net sales of (12.3)% during the second quarter of fiscal 2026, compared with the second quarter of fiscal 2025. In addition, this decrease in accounts receivable is due to shorter payment trends during the second quarter of fiscal 2026, as we experienced a higher sales mix with customers who had longer credit terms during the second quarter of fiscal 2025, as compared with the second quarter of fiscal 2026. Accordingly, days' sales outstanding was 35 days for the second quarter of fiscal 2026, as compared with 39 days for the second quarter of fiscal 2025.

As of November 2, 2025, accounts receivable of \$9.4 million decreased by \$(1.8) million, or (16.2)%, compared with \$11.3 million as of April 27, 2025. This decrease in accounts receivable is mostly due to shorter payment trends during the second quarter of fiscal 2026, as we experienced a higher sales mix with customers who had longer credit terms during the fourth quarter of fiscal 2025, as compared with the second quarter of fiscal 2026. Accordingly, days' sales outstanding decreased to 35 days for the second quarter of fiscal 2026, from 46 days for the fourth quarter of fiscal 2025.

Inventory

As of November 2, 2025, inventory of \$15.4 million, decreased by \$(477,000), or (3.0)%, compared with \$15.9 million as of October 27, 2024. This decrease in inventory is mostly due to: (i) a decrease in net sales due to lower consumer demand; (ii) diligent inventory management due to uncertainty associated with tariffs imposed in accordance with U.S. trade policies, along with (iii) a concerted effort to liquidate aged inventory in connection with the closure of our leased upholstery facilities located Burlington, North Carolina and Knoxville, Tennessee associated with our restructuring initiative announced on April 24, 2025. Also, the decrease in inventory noted above was partially offset by rising costs to produce and source inventory, along with tariffs imposed in accordance with U.S. trade policies related to imported products.

As of November 2, 2025, inventory of \$15.4 million decreased by \$(614,000), or (3.8)%, compared with \$16.0 million as of April 27, 2025. This trend is driven by diligent inventory management due to uncertainty associated with tariffs imposed in accordance with U.S. trade policies, and a concerted effort to liquidate aged inventory in connection with the closure of our leased upholstery

facilities located Burlington, North Carolina and Knoxville, Tennessee. Also, the decrease in inventory noted above was partially offset by rising costs to produce and source inventory, along with tariffs imposed in accordance with U.S. trade policies related to imported products.

Inventory turns were 5.0 for the second quarter of fiscal 2026, as compared with 5.1 for the second quarter of fiscal 2025 and 4.0 for the fourth quarter of fiscal 2025.

Property, Plant, & Equipment

As of November 2, 2025, property, plant, and equipment remained relatively flat compared with October 27, 2024, and April 27, 2025, respectively. This trend is mainly due to a reduced level of capital spending commensurate with current unfavorable macro-economic conditions within the home furnishings industry.

The \$785,000 as of November 2, 2025, represents property, plant, and equipment of \$737,000 and \$48,000 located in the U.S. and China, respectively. The \$1.2 million as of October 27, 2024, represents property, plant, and equipment of \$1.1 million and \$95,000 located in the U.S. and China, respectively. The \$1.0 million as of April 27, 2025, represents property, plant, and equipment of \$940,000 and \$70,000 located in the U.S. and China, respectively.

Right of Use Assets

As of November 2, 2025, right of use assets of \$1.2 million remained flat, compared with \$1.1 million as of October 27, 2024.

As of November 2, 2025, right of use assets of \$1.2 million, decreased by \$(1.5) million, or (54.3)%, compared with \$2.7 million as of April 27, 2025. The right of use assets of \$2.7 million as of April 27, 2025, included the renewal of certain lease agreements associated with our operations located in Shanghai, China and Burlington, North Carolina during the third and fourth quarters of fiscal 2025. The decrease in right of use assets as of November 2, 2025, compared with April 27, 2025, represents rent expense incurred over the terms of the existing respective lease agreements.

The \$1.2 million as of November 2, 2025, represents right of use assets of \$725,000 and \$499,000 located in China and the U.S., respectively. The \$1.1 million as of October 27, 2024, represents right of use assets of \$925,000 and \$195,000 located in the U.S. and China, respectively. The \$2.7 million as of April 27, 2025, represents right of use assets of \$1.7 million and \$1.0 million located in China and the U.S., respectively.

Consolidated - Other Income Statement Categories

<i>(dollars in thousands)</i>	Three Months Ended		% Change
	November 2, 2025	October 27, 2024	
SG&A expenses	\$ 8,738	\$ 9,359	(6.6)%
Restructuring expense	499	2,031	(75.4)%
Interest expense	(199)	(30)	563.3%
Interest income	249	244	2.0%
Other expense	694	508	36.6%

<i>(dollars in thousands)</i>	Six Months Ended		% Change
	November 2, 2025	October 27, 2024	
SG&A expenses	\$ 17,858	\$ 18,655	(4.3)%
Restructuring credit (expense)	3,010	(4,662)	N.M.
Interest expense	(381)	(58)	556.9%
Interest income	483	507	(4.7)%
Other expense	1,225	913	34.2%

Selling, General, and Administrative Expenses ("SG&A")

The decrease in selling, general, and administrative expenses during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025, was primarily due to: (i) a decrease in net sales of (4.4)% and (7.4)% during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025, respectively; (ii) lower

professional fees; and (iii) cost reduction initiatives in connection with our restructuring and integration activities announced on May 1, 2024, and April 24, 2025 (see Note 10 of the consolidated financial statements for further details and descriptions of our restructuring initiatives). Also, additional SG&A expenses were incurred during the first half of fiscal 2026, compared with the first half of fiscal 2025, as the first half of fiscal 2026 and 2025 represented 27-week and 26-week periods, respectively.

Restructuring Activities

Restructuring Activities Announced May 1, 2024

On April 29, 2024 (first quarter of fiscal 2025), our board of directors made a decision to: (i) consolidate the company's North American bedding operations, including the closure and sale of the Property located in Quebec, Canada; (ii) move a portion of the knitting and finishing capacity from the company's manufacturing facility located in Quebec, Canada, to the company's manufacturing facility located in Stokesdale, North Carolina; (iii) transition the bedding segment's weaving operation to a strategic sourcing model through the company's long-standing supply partners; (iv) consolidate the company's sewn mattress cover operation located in Ouanaminthe, Haiti, from two leased facilities into one building and reduce other operating expenses at this location; as well as (v) reduce unallocated corporate and shared service expenses.

The above restructuring activities related to the May 1, 2024 announcement were mostly completed by the end of the second quarter of fiscal 2026, including the sale of the Property and certain equipment located in Quebec, Canada. Accordingly, we recorded a gain from the sale of this Property and equipment totaling \$4.0 million that was classified within restructuring credit in the Consolidated Statement of Net Loss for six-month period ended November 2, 2025. See Notes 7 and 8 of the consolidated financial statements for further details regarding the Sales Agreement associated with the sale of the Property and determination of fair value regarding the Property and equipment.

Since inception of this restructuring initiative, we incurred cumulative restructuring and restructuring related charges totaling \$5.3 million, most of which related to the bedding segment.

Restructuring Activities Announced April 24, 2025

On April 24, 2025 (fourth quarter of fiscal 2025), the company announced a strategic transformation of its operating model that will combine certain activities within the bedding and upholstery segments and create one integrated Culp-branded business. As part of this strategic transformation, we are closing our leased facilities operated by our upholstery segment located in Burlington, North Carolina, and Knoxville, Tennessee, and are currently transitioning their production and distribution activities to a shared management model within our owned facility located in Stokesdale, North Carolina, which has historically been solely operated by our bedding segment.

The estimated cumulative restructuring and restructuring related charges for this initiative are expected to be \$2.6 million, of which \$1.1 million is expected to be cash expenditures. The \$2.6 million of estimated cumulative restructuring and restructuring related charges associated with this initiative represents: (i) a non-cash charge for impairment of Read's tradename totaling \$540,000 (see Note 6 located in the notes to the consolidated financial statements for further details); (ii) a non-cash charge of \$393,000 associated with the disposal and markdowns of inventory; (iii) non-cash lease termination costs of \$116,000; (iv) non-cash accelerated depreciation expense, along with impairments and losses on disposal of fixed assets totaling \$399,000; (v) cash charges for employee termination benefits of \$386,000; (vi) cash charges for facility consolidation and relocation expenses of \$655,000; and (vii) cash charges for other associated costs of \$69,000. We expect the initiatives associated with this strategic transformation to be substantially completed by the end of the third quarter of fiscal 2026.

The following summarizes restructuring expense (credit) and restructuring related charges associated with the above announcements for the three-month and six-month periods ended November 2, 2025:

<i>(dollars in thousands)</i>	Three Months Ended November 2, 2025	Six Months Ended November 2, 2025
Additional depreciation expense for shortened useful lives	\$ 87	\$ 109
Employee termination benefits	174	170
Lease termination (credit) expense	(22)	40
Facility consolidation and relocation expenses	204	256
Net gain from the sale and impairment of property, plant, and equipment	(2)	(3,750)
Other associated costs	58	165
Loss on disposal and markdowns of inventory	931	931
Restructuring expense (credit) and restructuring related charges (1) (2) (3)	\$ 1,430	\$ (2,079)

- (1) Of the total \$1.4 million restructuring expense and restructuring related charge, \$499,000 and \$931,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the three-month period ended November 2, 2025. Of the total \$1.4 million restructuring expense and restructuring related charge, \$976,000 and \$454,000 related to the upholstery and bedding segments, respectively.
- (2) Of the total \$(2.1) million net restructuring credit and restructuring related charge, a \$(3.0) million credit and \$931,000 charge were classified within restructuring credit and cost of sales, respectively, in the Consolidated Statement of Net Loss for the six-month period ended November 2, 2025. Of the total \$(2.1) million net restructuring credit and restructuring related charge, a credit of \$(3.2) million and a charge of \$1.1 million related to the bedding and upholstery segments, respectively.
- (3) Of the total \$1.4 million restructuring expense and restructuring related charge for the three months ended on November 2, 2025, \$975,000 and \$455,000 related to the restructuring activities announced on April 24, 2025 and May 1, 2024, respectively. Of the total \$(2.1) million net restructuring credit and restructuring related charge for the six months ended November 2, 2025, a credit of \$(3.4) million and a charge of \$1.3 million related to the restructuring activities announced on May 1, 2024 and April 24, 2025, respectively.

The following summarizes restructuring expense and restructuring related charges associated with the May 1, 2024 announcement described above for the three-month and six-month periods ended October 27, 2024:

<i>(dollars in thousands)</i>	Three Months Ended October 27, 2024	Six Months Ended October 27, 2024
Additional depreciation expense for shortened useful lives	\$ 465	\$ 1,340
Employee termination benefits	563	1,252
Lease Termination Costs	179	849
Facility consolidation and relocation expenses	896	1,149
Net gain from the sale and impairment of property, plant, and equipment	(105)	(10)
Other associated costs	33	82
Loss on disposal and markdowns of inventory	769	885
Restructuring expense and restructuring related charges (1) (2)	\$ 2,800	\$ 5,547

- (1) Of the total \$2.8 million restructuring expense and restructuring related charge, \$2.0 million and \$769,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the three-month period ended October 27, 2024. Of the total \$2.8 million, \$2.8 million and \$29,000 related to the bedding and upholstery segments, respectively.
- (2) Of the total \$5.5 million restructuring expense and restructuring related charge, \$4.7 million and \$885,000 were classified within restructuring expense and cost of sales, respectively, in the Consolidated Statement of Net Loss for the six-month period ended October 27, 2024. Of the total \$5.5 million, \$5.4 million and \$147,000 related to the bedding and upholstery segments, respectively.

Interest Expense

The increase in interest expense during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025, reflects increased borrowings under line of credit agreements associated with our operations located in the U.S. and China.

Interest Income

During the second quarter and first half of fiscal 2026, interest income remained flat, compared with the second quarter and first half of fiscal 2025. This trend represents lower average cash balances during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025, offset by interest earned from a note receivable associated with the sale of the Property that occurred during the first quarter of fiscal 2026. During the second quarter and first half of fiscal 2026, interest income of \$73,000 and \$149,000, respectively, was earned from this note receivable, which such interest income was not earned during the second quarter and first half of fiscal 2025.

Refer to Notes 7 and 10 of the consolidated financial statements for further details regarding our note receivable and our restructuring activity announced on May 1, 2024.

Other Expense

Management is required to assess certain economic factors to determine the currency of the primary economic environment in which our foreign subsidiaries operate. Based on our assessments, the U.S. dollar was determined to be the functional currency of our operations located in China, Canada, and Vietnam.

The increase in other expense during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025, was mostly due to less favorable foreign currency exchange rates applied against our balance sheet accounts denominated in Chinese Renminbi to determine the corresponding U.S. dollar financial reporting amounts. During the second quarter and first half of fiscal 2026, we incurred foreign currency exchange rate losses associated with our operations located in China totaling \$273,000 and \$462,000, respectively, compared with foreign currency exchange rate losses of \$186,000 and \$231,000, respectively, incurred during the second quarter and first half of fiscal 2025. In addition, this increase in other expense included higher expenses associated with our rabbi trust that funds our deferred compensation liability during the second quarter and first half of fiscal 2026, compared with the second quarter and first half of fiscal 2025.

The \$462,000 foreign currency exchange rate loss for the first half of fiscal 2026 described above was mostly non-cash and offset by an income tax benefit of \$249,000. The income tax benefit of \$249,000 was associated with tax deductible foreign currency exchange rate losses based on less favorable foreign currency exchange rates applied against balance sheet accounts denominated in U.S. dollars to determine the corresponding Chinese Renminbi local currency amounts. The foreign currency exchange rate loss derived from U.S. dollar denominated balance sheet accounts is considered tax deductible, as we incur income tax expense and pay income taxes in China's local currency.

Income Taxes

Effective Income Tax Rate

We recorded income tax expense of \$1.6 million, or (53.2)% of loss before income taxes, for the six-month period ended November 2, 2025, compared with income tax expense of \$190,000, or (1.5)% of loss before income taxes, for the six-month period ended October 27, 2024.

Our consolidated effective income tax rates for the six-month periods ended November 2, 2025, and October 27, 2024, were based upon the estimated effective income tax rate applicable for the full year after giving effect to any significant items related specifically to interim periods. When calculating the annual estimated effective income tax rates for the six-month periods ended November 2, 2025, and October 27, 2024, we were subject to loss limitation rules. These loss limitation rules require any pre-tax loss associated with our U.S. or foreign operations to be excluded from the annual estimated effective income tax rate calculation if it was determined that no income tax benefit could be recognized during the current fiscal year. The effective income tax rate can be affected over the fiscal year by the mix and timing of actual earnings from our U.S. operations and foreign subsidiaries located in China, Canada, Haiti, and Vietnam versus annual projections, as well as changes in foreign currency exchange rates in relation to the U.S. dollar.

The following schedule summarizes the principal differences between income tax expense at the U.S. federal income tax rate and the effective income tax rate reflected in the consolidated financial statements for the six-month periods ended November 2, 2025, and October 27, 2024:

	November 2, 2025	October 27, 2024
U.S. federal income tax rate	21.0%	21.0%
U.S. valuation allowance	(55.7)	(18.8)
Withholding taxes associated with foreign jurisdictions	(6.2)	(0.7)
U.S. global intangible low tax income tax (GILTI)	(8.1)	—
Tax effects of local currency foreign exchange loss	(2.1)	(4.5)
Stock-based compensation	(0.8)	(0.4)
Uncertain income tax positions	0.6	2.6
Foreign income tax rate differential	(0.1)	—
Other (1)	(1.8)	(0.7)
Consolidated effective income tax rate (1) (2) (3)	(53.2)%	(1.5)%

- (1) "Other" for all periods presented represents miscellaneous adjustments that pertain to U.S. permanent differences such as meals and entertainment, income tax provision to return adjustments, and other and miscellaneous items.
- (2) Our consolidated effective income tax rates were adversely affected by the mix of earnings between our U.S. operations and foreign subsidiaries, as our taxable income stemmed from our operations located in China and a gain from the sale of Property located in Canada during the first quarter of fiscal 2026 (see Notes 8 and 10 of the consolidated financial statements for further details), which such jurisdictions have higher income tax rates than the U.S. In addition, we applied a full valuation allowance against our U.S. net deferred income tax assets during the first half of fiscal 2026 and 2025, respectively. Consequently, an income tax benefit was not recognized for pre-tax losses associated with our U.S. operations totaling \$(8.1) million and \$(12.4) million that were incurred during the first half of fiscal 2026 and 2025, respectively. Lastly, our consolidated effective income tax rates were also adversely affected by pre-tax losses associated with our Haitian operations, which are not subject to income tax. Our Haitian operations are located in an economic zone that permits a 0% income tax rate for the first fifteen years of operations, for which we have seven years remaining. As a result of the 0% income tax rate, an income tax benefit was not recognized for the pre-tax losses associated with our Haitian operations totaling \$(565,000) and \$(727,000) that were incurred during the first half of fiscal 2026 and 2025, respectively.
- (3) During the first half of fiscal 2026, we incurred a consolidated pre-tax loss of \$(3.0) million, compared with a significantly higher consolidated pre-tax loss of \$(12.7) million during the first half of fiscal 2025. As a result, the principal differences between income tax expense at the U.S. federal income tax rate and the effective income tax rate reflected in the consolidated financial statements were more pronounced during the first half of fiscal 2026, as compared with the first half of fiscal 2025.

One Big Beautiful Bill Act ("OBBA")

On July 4, 2025, OBBA was signed into law, making several provisions of the 2017 Tax Cuts and Jobs Act ("TCJA") permanent. Such provisions include: (i) no change to the standard corporate tax rate of 21.0%; (ii) increased depreciation allowances for certain property acquired after January 19, 2025; (iii) deduction of certain U.S. research and development expenditures; (iv) limitations on the deductibility of business interest expense; and (v) modifications to GILTI and foreign-derived intangible income. Topic 740 *Income Taxes* requires the income tax effects of changes in tax laws or rates to be recognized at the date of enactment. Accordingly, we evaluated the provisions of OBBA and determined OBBA did not have an impact on our consolidated effective income tax rate, income tax expense, or our U.S. net deferred income tax assets during the six months ended November 2, 2025, due to the application of a full valuation allowance applied against our U.S. net deferred income tax assets described in the below section titled - *U.S. Valuation Allowance*.

U.S. Valuation Allowance

We evaluate the realizability of our U.S. net deferred income tax assets to determine if a valuation allowance is required. We assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more-likely-than-not" standard, with significant weight being given to evidence that can be objectively verified. Since the company operates in multiple jurisdictions, we assess the need for a valuation allowance on a jurisdiction-by-jurisdiction basis, considering the effects of local tax law.

As of November 2, 2025, we evaluated the realizability of our U.S. net deferred income tax assets to determine if a full valuation allowance was required. Based on our assessment, we determined we still have a recent history of significant cumulative U.S. pre-tax losses in that we experienced U.S. pre-tax losses during each of the last three fiscal years from 2023 through 2025, and we currently expect significant U.S. pre-tax losses to continue during fiscal 2026. As a result of the significant weight of this negative

evidence, we believe it is more-likely-than-not that our U.S. net deferred income tax assets will not be fully realizable, and therefore we provided for a full valuation allowance against our U.S. net deferred income tax assets.

Based on our assessments as of November 2, 2025, October 27, 2024, and April 27, 2025, valuation allowances against our net deferred income tax assets pertain to the following:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
U.S. federal and state net deferred income tax assets	\$ 25,623	\$ 22,060	\$ 23,973
U.S. capital loss carryforward	2,330	2,330	2,330
	<u>\$ 27,953</u>	<u>\$ 24,390</u>	<u>\$ 26,303</u>

Undistributed Earnings

We assess whether the undistributed earnings from our foreign subsidiaries will be reinvested indefinitely or eventually distributed to our U.S. parent company and whether we are required to record a deferred income tax liability for those undistributed earnings from foreign subsidiaries that will not be reinvested indefinitely. As of November 2, 2025, we assessed the liquidity requirements of our U.S. parent company and determined that our undistributed earnings and profits from our foreign subsidiaries would not be reinvested indefinitely and would eventually be distributed to our U.S. parent company. The conclusion reached from this assessment was consistent with prior reporting periods.

A U.S. corporation is allowed a 100% dividend-received deduction for earnings and profits received from a 10% or more owned foreign corporation. Therefore, a deferred income tax liability will be required only for unremitted withholding taxes associated with earnings and profits generated by our foreign subsidiaries that will ultimately be repatriated to the U.S. parent company. As a result, as of November 2, 2025, October 27, 2024, and April 27, 2025, we recorded a deferred income tax liability of \$5.4 million, \$5.0 million, and \$5.2 million, respectively.

Uncertain Income Tax Positions

An unrecognized income tax benefit for an uncertain income tax position can be recognized in the first interim period if the more-likely-than-not recognition threshold is met by the end of the reporting period, or is effectively settled through examination, negotiation, or litigation, or if the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired. If it is determined that any of the above conditions occur regarding our uncertain income tax positions, an adjustment to our unrecognized income tax benefit will be recorded at that time.

As of November 2, 2025, October 27, 2024, and April 27, 2025, we had \$845,000, \$1.4 million, and \$790,000 of total gross unrecognized income tax benefits, of which the entire amount was classified as income taxes payable – long-term in the accompanying Consolidated Balance Sheets. These unrecognized income tax benefits would favorably affect income tax expense in future periods by \$845,000, \$1.4 million, and \$790,000 as of November 2, 2025, October 27, 2024, and April 27, 2025, respectively.

Our gross unrecognized income tax benefit of \$845,000 as of November 2, 2025, relates to an income tax position for which significant change is currently not expected within the next year.

Income Taxes Paid

The following table sets forth taxes paid by jurisdiction:

<i>(dollars in thousands)</i>	Six Months Ended November 2, 2025	Six Months Ended October 27, 2024
U.S. Federal - Transition Tax Payment	831	665
U.S. State - Income Tax Payment	4	—
Canada - Income Tax Payments	572	—
China - Income Tax Payments	279	578
	<u>\$ 1,686</u>	<u>\$ 1,243</u>

Liquidity and Capital Resources

Liquidity

Overall

Currently, our sources of liquidity include cash and cash equivalents (collectively, "cash"), cash flow from operations, and amounts available under our revolving credit lines. As of November 2, 2025, we believe: (i) our cash of \$10.7 million; (ii) improvements in cash flow from operations stemming from expected cash savings from our recent restructuring activities, (iii) the current availability under our U.S. line of credit totaling \$17.4 million (refer to Note 11 of the consolidated financial statements for further details regarding our financing arrangements), and (iv) proceeds totaling \$4.7 million from the collection of a note receivable associated with the sale of Property located in Quebec, Canada (see Note 7 of the consolidated financial statements for further details) will be sufficient to fund our: (i) foreseeable business needs; (ii) restructuring activities; (iii) capital expenditures; (iv) commitments; (v) contractual obligations; and (vi) income tax payments.

As of November 2, 2025, our cash totaled \$10.7 million, which represents an increase of \$5.1 million compared with cash of \$5.6 million as of April 27, 2025. This increase was due mostly to: (i) net borrowings on our lines of credit of \$5.3 million during the first half of fiscal 2026, an increase of \$1.3 million compared with the first half of fiscal 2025, and (ii) proceeds from the sale of property, plant, and equipment totaling \$979,000, partially offset by net cash used in operating activities of \$(1.2) million.

Our net cash used in operating activities of \$(1.2) million improved during the first half of fiscal 2026, compared with net cash used in operating activities of \$(2.6) million during the first half of fiscal 2025. This trend mostly reflects: (i) a decrease in cash losses from savings associated with our restructuring activities announced on May 1, 2024, and April 24, 2025 (refer to section titled "-- Segment Analysis -- Consolidated Other Income Statement Categories -- Restructuring Activities" for further details regarding our restructuring initiatives), and (ii) an increase in cash flow from accounts receivable due to shorter payment trends associated with the upholstery segment during the second quarter of fiscal 2026, as we experienced a higher sales mix with customers who had longer credit terms during the fourth quarter of fiscal 2025; partially offset by: (i) a decrease in cash flow from inventory related to strategically sourcing certain fabrics that have longer lead times to acquire, rising prices, and tariffs imposed in accordance with U.S. trade policy, and (ii) a decrease in cash flow from accounts payable due to a decline in consumer demand.

We had outstanding borrowings totaling \$18.3 million under our line of credit agreements, of which \$11.3 million and \$7.0 million were reported in lines of credit - current and line of credit - long term, respectively, on the November 2, 2025, Consolidated Balance Sheet.

Our cash balance may be adversely affected by factors beyond our control, such as: (i) recent customer demand trends affecting net sales; (ii) increased tariffs or other changes in U.S. trade policy related to imported products; (iii) supply chain disruptions; (iv) rising interest rates and inflation; and (v) geopolitical events (including conflicts in Ukraine and the Middle East). These factors could cause delays in receipt of payment on accounts receivable and could increase cash disbursements due to rising prices.

By Geographic Area

A summary of our cash by geographic area follows:

<i>(dollars in thousands)</i>	November 2, 2025	October 27, 2024	April 27, 2025
United States	\$ 585	\$ 1,189	\$ 151
China	9,285	9,102	4,723
Canada	827	49	701
Vietnam	15	41	38
Haiti	9	142	8
Cayman Islands	7	8	8
	\$ 10,728	\$ 10,531	\$ 5,629

Common Stock Repurchase Program

In March 2020, our board of directors approved an authorization for us to acquire up to \$5.0 million of our common stock. Under this common stock repurchase program, shares may be purchased from time to time in open market transactions, block trades, through plans established under the Securities Exchange Act Rule 10b5-1, or otherwise. The number of shares purchased and the timing of such purchases are based on working capital requirements, market and general business conditions, and other factors.

We did not repurchase any shares of common stock during the six-month periods ended November 2, 2025, or October 27, 2024, respectively.

As of November 2, 2025, \$3.2 million is available for additional repurchases of our common stock.

Dividends

On June 29, 2022, our board of directors announced the decision to suspend the company's quarterly cash dividend. We believed that preserving capital and managing our liquidity were in the company's best interest to support future growth and the long-term interests of our shareholders. Accordingly, we did not make any dividend payments during the first half of fiscal 2026, fiscal 2025, 2024, or 2023.

Consolidated Basis - Working Capital

Operating Working Capital

Operating working capital (the total of accounts receivable and inventories, less accounts payable-trade, less accounts payable-capital expenditures, and less deferred revenue) was \$40.0 million as of November 2, 2025, compared with \$33.4 million as of October 27, 2024, and \$43.4 million as of April 27, 2025. Operating working capital turnover was 5.2 during the second quarter of fiscal 2026, compared with 6.0 during the second quarter of fiscal 2025, and 5.7 during the fourth quarter of fiscal 2025.

Accounts Receivable

Accounts receivable was \$20.6 million as of November 2, 2025, a decrease of \$(1.7) million, or (7.6)%, compared with \$22.3 million as of October 27, 2024. This trend reflects a decrease in net sales of (4.4)% for the second quarter of fiscal 2026 compared with the second quarter of fiscal 2025, which related to the upholstery segment. Days' sales outstanding was 34 days and 35 days for the second quarters of fiscal 2026 and fiscal 2025, respectively.

Accounts receivable was \$20.6 million as of November 2, 2025, a decrease of \$(1.2) million, or (5.5)%, compared with \$21.8 million as of April 27, 2025. This decrease in accounts receivable is mostly due to shorter payment trends associated with the upholstery segment during the second quarter of fiscal 2026, as we experienced a higher sales mix with customers who had longer credit terms during the fourth quarter of fiscal 2025, as compared with the second quarter of fiscal 2026. Accordingly, days' sales outstanding decreased to 34 days for the second quarter of fiscal 2026, from 40 days for the fourth quarter of fiscal 2025. However, the decrease in accounts receivable due to shorter payment trends was partially offset by an increase in net sales mostly associated with the bedding segment during the second quarter of fiscal 2026, compared with the fourth quarter of fiscal 2025. During the second quarter of fiscal 2026, bedding sales were \$30.8 million, an increase of \$3.6 million or 13.5%, compared with \$27.1 million during the fourth quarter of fiscal 2025.

Inventory

Inventory was \$49.9 million as of November 2, 2025, an increase of \$4.8 million, or 10.7%, compared with \$45.1 million as of October 27, 2024. In connection with the restructuring activity announced on May 1, 2024, which mostly related to the bedding segment (see Note 10 of the consolidated financial statements for further details), the increase in inventory reflects a transition to strategically source certain mattress fabrics with long-standing supply partners. As a result of this increased sourcing, more finished goods inventory is required to be on hand due to longer lead times to acquire products and accommodate our customers. The increase in inventory due to the above restructuring initiative was partially offset by a decrease in inventory related to the upholstery segment. The decrease in inventory related to the upholstery segment represents: (i) a decrease in net sales due to lower consumer demand; (ii) diligent inventory management due to uncertainty associated with tariffs imposed in accordance with U.S. trade policies, along with (iii) a concerted effort to liquidate aged inventory in connection with the closure of our leased upholstery facilities located Burlington, North Carolina and Knoxville, Tennessee. Also, inventory for both the bedding and the upholstery segments were affected by rising costs and tariffs imposed in accordance with U.S. trade policies related to imported products.

Inventory was \$49.9 million as of November 2, 2025, an increase of \$632,000, or 1.3%, compared with \$49.3 million as of April 27, 2025. This increase in inventory was mostly due to rising costs to produce and source inventory, along with tariffs imposed by in accordance with U.S. trade policies related to imported products, affecting both the bedding and the upholstery segments.

Inventory turns were 3.7 for the second quarter of fiscal 2026, as compared with 4.5 for the second quarter of fiscal 2025, and 3.3 for the fourth quarter of fiscal 2025.

Accounts Payable - Trade

Accounts payable - trade was \$29.7 million, as of November 2, 2025, a decrease of \$(2.7) million, or (8.4)%, compared with \$32.4 million as of October 27, 2024. This trend represents a decline in inventory purchases related to a decrease in consumer demand and diligent inventory management associated with our upholstery segment, partially offset by an increase in inventory purchases associated with our bedding segment that reflects a transition to strategically source certain mattress fabrics with long-standing supply partners. As a result of this increased sourcing from our bedding segment, more finished goods inventory is required to be on hand due to longer lead times to acquire products and accommodate our customers. Lastly, accounts payable was adversely affected by rising costs to produce and source inventory, along with tariffs imposed in accordance with U.S. trade policies related to imported products, affecting both the bedding and the upholstery segments.

Accounts payable - trade was \$29.7 million, as of November 2, 2025, an increase of \$2.3 million, or 8.6%, compared with \$27.3 million as of April 27, 2025. This increase was due to the same reasons discussed in the prior paragraph as it relates to the bedding segment.

Financing Arrangements

Currently, we have line of credit agreements with banks for our U.S parent company and our operations located in China. As of November 2, 2025, we had outstanding borrowing associated with our line of credit agreements totaling \$18.3 million, of which \$11.3 million and \$7.0 million were reported in lines of credit-current and line of credit- long term. Our loan agreements require, among other things, that we maintain compliance with certain financial covenants. As of November 2, 2025, we were in compliance with these financial covenants.

Refer to Note 11 of the consolidated financial statements for further disclosure regarding our line of credit agreements, which includes a Third Amendment to our U.S. revolving credit agreement effective June 12, 2025.

Leases

Refer to Note 17 of the consolidated financial statements for further disclosures regarding our lease obligations, which includes a five-year maturity schedule.

Capital Expenditures and Depreciation

Overall

Capital expenditures on a cash basis for the first half of fiscal 2026 totaled \$218,000, compared with \$1.6 million for the first half of fiscal 2025. Our decision to reduce our level of capital expenditures is due to the current unfavorable macro-economic conditions within the home furnishings and bedding industries.

During the first half of fiscal 2026, we reported depreciation expense of \$2.2 million, compared with \$3.1 million for the same period a year ago, which was mostly related to our bedding segment for both periods. We reported accelerated depreciation of \$109,000 that was classified within restructuring credit in the Consolidated Statement of Net loss for the six-month period ended November 2, 2025. The \$109,000 of accelerated depreciation related to the shortening of useful lives of equipment related to the consolidation of distribution activities from our Burlington, North Carolina facility to the manufacturing and distribution center located in Stokesdale, North Carolina. We reported accelerated depreciation of \$1.3 million that was classified within restructuring expense in the Consolidated Statement of Net Loss for the six-month period ended October 27, 2024. The \$1.3 million of accelerated depreciation related to the shortening of useful lives of equipment associated with the closure of our operations located in Quebec, Canada. See Note 10 of the consolidated financial statements for further details and descriptions of our restructuring activities announced on May 1, 2024 and April 24, 2025.

Based on current expectations, capital spending for fiscal 2026 is projected to be comparable to fiscal 2025 and will center on capital projects that will increase efficiencies, improve the quality of our products, and facilitate future growth. Funding for capital expenditures is expected to be from cash provided by operating activities.

Critical Accounting Policies and Recent Accounting Developments

As of November 2, 2025, there were no changes in our significant accounting policies or the application of those policies from those reported in our Annual Report on Form 10-K for the year ended April 27, 2025.

Refer to Note 2 of the consolidated financial statements for recently adopted and issued accounting pronouncements, if any, since the filing of our Form 10-K for the year ended April 27, 2025.

Contractual Obligations

There were no significant or new contractual obligations since those reported in our Annual Report on Form 10-K for the year ended April 27, 2025.

Inflation

A meaningful rise in raw material, utility, energy or other costs, as well as broader economic inflation, could materially and adversely affect our operating results. Competitive market dynamics have traditionally constrained our ability to fully offset such cost increases through price adjustments to customers.

In fiscal 2023 and 2024, raw material prices declined, primarily due to lower oil prices and softening global demand. However, both years were marked by persistent challenges associated with elevated labor costs and limited labor availability. While raw material and labor costs stabilized through fiscal 2024 and the first half of fiscal 2025, recent developments such as global trade negotiations and the implementation of new tariffs and import restrictions beginning in the fourth quarter of fiscal 2025 have begun to influence industry pricing structures and supply chain patterns. These evolving conditions have placed upward pressure on our raw material costs, and this trend is expected to continue. In addition, energy prices have demonstrated substantial volatility in recent fiscal years and continue to represent an unpredictable element of our cost structure.

We recently implemented price increases designed to mitigate the impacts of recent tariff actions affecting products imported into the U.S., including those imported from China, and we are initiating additional surcharges in response to new tariffs on imports from Haiti, Turkey and elsewhere during the second quarter. While the majority of these price increases began to phase in and become effective as of the second quarter of fiscal 2026, the above-referenced dynamics may ultimately lead to higher input costs, with potential adverse implications for our financial performance.

Further, persistent inflationary pressures significantly curtailed consumer spending during fiscal 2023, with effects extending into fiscal 2024, 2025, and 2026. This economic environment contributed to a broader slowdown in both the mattress and residential home furnishings markets, leading to lower demand from home furnishings manufacturers for our mattress fabrics and residential upholstery fabrics across this period. The duration and future impact of these trends remain uncertain, and it is difficult to predict how inflationary conditions may continue to influence consumer behavior and the broader economic cycle for home furnishings products over the near and long term.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

We are exposed to market risk from changes in interest rates regarding our credit agreements.

Revolving Credit Agreement - United States

Our U.S. revolving credit agreement ("Credit Agreement") with Wells Fargo Bank, N.A., permits both base rate borrowings and borrowings that require interest to be charged at a variable rate calculated using an applicable margin over SOFR (the secured overnight financing rate administered by the Federal Reserve Bank of New York (or its successor)), as defined in the Credit Agreement. The annual interest rate under the Credit Agreement as of November 2, 2025, was 6.02%. As of November 2, 2025, outstanding borrowings under the Credit Agreement totaled \$7.0 million.

Credit Agreements - China Operations

On November 5, 2024, we entered into an unsecured credit agreement with the Bank of China that provides for a 10.0 million RMB (\$1.4 million USD as of November 2, 2025) working capital loan. Interest is charged at a rate determined by the Bank of China, which was 2.6% per year as of November 2, 2025. As of November 2, 2025, the outstanding balance under this working capital loan was 10.0 million RMB (\$1.4 million USD).

Effective March 5, 2025, we entered into a separate unsecured credit agreement with the Agricultural Bank of China ("ABC") that provides for a line of credit up to 29.0 million RMB (\$4.1 million USD as of November 2, 2025). Interest is charged at a rate determined by ABC, which was 2.60% per year as of November 2, 2025. As of November 2, 2025, the outstanding balance under this agreement was 29.0 million RMB (\$4.1 million USD).

During the first quarter of fiscal 2026, we entered into unsecured working capital loan agreements with ABC that provide for 21.0 RMB (\$3.0 million USD as of November 2, 2025). Interest is charged at a rate determined by ABC, which ranged from 2.50% to 2.6% during the first half of fiscal 2026. As of November 2, 2025, the outstanding balance under this agreement was 21.0 million RMB (\$3.0 million USD).

Currently, we have supplier financing arrangements that bear interest at a fixed rate, which were paid in full at the time of borrowings, and therefore borrowings under these arrangements are not subject to future changes in the market rate of interest.

Foreign Currency

We are exposed to market risk from changes in the value of foreign currencies for our subsidiaries domiciled in Canada, China, and Vietnam. We try to maintain a natural hedge by keeping a balance of our assets and liabilities denominated in the local currency of our subsidiaries domiciled in Canada, China, and Vietnam. However, there is no assurance that we will be able to continually maintain this natural hedge. Our foreign subsidiaries use the U.S. dollar as their functional currency and a substantial portion of the company's imports purchased outside the U.S. are denominated in U.S. dollars. A 10% change in the above exchange rates as of November 2, 2025, would not have materially affected our results of operations or financial position.

ITEM 4. CONTROLS AND PROCEDURES

As of November 2, 2025, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of such date, in all material respects, to ensure that information required to be disclosed in the reports filed by us and submitted under the Exchange Act is recorded, processed, summarized, and reported as and when required, and that these disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in reports filed by us under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding the required disclosure.

During the quarter ended November 2, 2025, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

There have not been any material changes to our legal proceedings during the three months ended November 2, 2025. Our legal proceedings are disclosed in the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 11, 2025, for the fiscal year ended April 27, 2025.

Item 1A. Risk Factors

There have not been any material changes to our risk factors during the three months ended November 2, 2025, from the risk factors disclosed in Item 1A "Risk Factors" of the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 11, 2025, for the fiscal year ended April 27, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
August 4, 2025 to September 7, 2025	—	—	—	\$ 3,248,094
September 8, 2025 to October 5, 2025	—	—	—	\$ 3,248,094
October 6, 2025 to November 2, 2025	—	—	—	\$ 3,248,094
Total	—	—	—	\$ 3,248,094

(1) In March 2020, our board of directors approved an authorization for us to acquire up to \$5.0 million of our common stock.

Item 5. Other Information

During the three months ended November 2, 2025, none of the company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined in Item 408 of Regulation S-K).

In accordance with applicable SEC rules, the following is intended to satisfy the Company's Item 5.02 Form 8-K reporting obligations by making timely disclosure in accordance with Item 5(a) of Form 10-Q.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 11, 2025, Alexander B. Jones resigned from the Culp, Inc. Board of Directors, including its Audit, Compensation and Strategy Committees, effective immediately. Mr. Jones' resignation is not due to any disagreement with Culp, Inc. related to its operations, policies or practices.

Item 6. Exhibits

The following exhibits are submitted as part of this report.

- 10.1 [Form of Long-Term Incentive Award Agreement.](#)
- 10.2 [Form of Restricted Stock Unit Award Agreement.](#)
- 10.3 [Form of Annual Incentive Award Agreement.](#)
- 10.4 [Form of Restricted Stock Unit Award Agreement.](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\).](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\).](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

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 thereunto duly authorized.

CULP, INC.
(Registrant)

Date: December 12, 2025

By: /s/ Kenneth R. Bowling
Kenneth R. Bowling
Executive Vice President and Chief Financial Officer
(Authorized to sign on behalf of the registrant and also signing
as principal financial officer)

By: /s/ Ronald S. Chandler
Ronald S. Chandler
Vice President and Corporate Controller
(Authorized to sign on behalf of the registrant and also signing
as principal accounting officer)

LONG-TERM INCENTIVE AWARD AGREEMENT

THIS LONG-TERM INCENTIVE AWARD AGREEMENT (the “**Agreement**”), dated as of August 7, 2025, is between **CULP, INC.**, a North Carolina corporation (the “**Corporation**”), and ____ (“**Recipient**”).

Background Statement

The Corporation desires to grant to Recipient performance-based restricted stock units (“**Units**”) and a long-term cash incentive compensation opportunity (“**Long-Term Cash Incentive Award**”), both pursuant to the Culp, Inc. Amended and Restated Equity Incentive Plan (the “**Plan**”). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. Grant of Units. As of August 7, 2025 (the “**Grant Date**”), the Corporation hereby grants to Recipient _ Units, all of which shall vest in accordance with Section 3(a) herein and **Schedule A** attached hereto upon a final determination by the Compensation Committee (the “**Committee**”) of the satisfaction of the vesting conditions set forth herein and the number of Units that have vested in connection therewith, in each case pursuant to the terms set forth in this Agreement and the Plan (the date of such final determination being referred to as the “vesting date”). Each Unit shall entitle Recipient to receive, upon vesting thereof in accordance with this Agreement and the Plan, up to one share of common stock, par value \$0.05 per share, of the Corporation (“**Common Stock**”). Except as permitted by the Plan, the Units may not be assigned, pledged, hypothecated or transferred in any manner. Recipient shall not have, with respect to any Units, any rights of a shareholder of the Corporation, including without limitation any right to vote as a shareholder of the Corporation or any right to receive distributions from the Corporation in respect of the Units. The Units are granted to the Recipient in connection with Recipient’s employment with the Corporation.

Section 2. Long-Term Cash Incentive Award. The Corporation hereby provides to Recipient a Long-Term Cash Incentive Award consisting of the opportunity to earn a cash amount of up to \$____, which shall vest and be earned in accordance with Section 3(b) herein and **Schedule A** attached hereto upon a final determination by the Committee of the satisfaction of the vesting conditions and that a cash payment is due pursuant to the terms of this Agreement and the Plan (the date of such final determination being referred to as the “vesting date”).

Section 3. Vesting.

(a)Units. Except as may otherwise be provided in the Plan or this Agreement, the Units shall vest, if at all, based on the Corporation’s actual Adjusted EBITDA (as defined in Schedule A) for its fiscal year ending on April 30, 2028 (“Fiscal Year 2028”) relative to the Adjusted EBITDA Target level set forth in Section 2 of **Schedule A** attached hereto. Each Unit, if it vests, grants the Recipient the conditional right to receive, pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, between zero and one share of Common Stock depending upon the performance of the Corporation with respect to Adjusted EBITDA relative to the Target level set forth in Section 2 of **Schedule A** attached hereto.

(b)Long-Term Cash Incentive Award. Except as may otherwise be provided in the Plan or this Agreement, the Long-Term Cash Incentive Award shall vest and be earned, if at all, based on the Corporation's Adjusted EBITDA for its Fiscal Year 2028 relative to the Adjusted EBITDA Target level set forth in Section 3 of Schedule A attached hereto.

(c)The determination of whether, and the extent to which, the performance goals have been satisfied with respect to the Units and/or Long-Term Cash Incentive Award will be made by the Committee in its sole and absolute discretion, following the end of the Performance Period, pursuant to the terms set forth in this Agreement and the Plan. The Corporation shall, as soon as practicable upon the determination by the Committee, pursuant to this Section 3 and Schedule A attached hereto, of the extent to which the performance goals for the Performance Period have been satisfied and the number of shares of Common Stock with respect to the Units and cash amount with respect to the Long-term Cash Incentive Award, if any, determined to be earned upon vesting (but, not later than sixty (60) days thereafter), effect delivery of such shares of Common Stock and/or payment of such cash amount to the Recipient (or, in the event the Units have passed to the estate or beneficiary of the Recipient or a permitted transferee, by such estate or beneficiary or permitted transferee) and, following such delivery of such shares and/or payment of such cash amount, the Units and the Long-Term Cash Incentive Award shall each cease to be outstanding. If the final determination of the satisfaction of the vesting conditions for any Units or amounts under the Long-Term Cash Incentive Award is made by the Committee prior to the Corporation's filing with the Securities and Exchange Commission ("SEC") of its Annual Report on Form 10-K for its Fiscal Year 2028, then no Units or amounts under the Long-Term Cash Incentive Award will vest, and no Common Stock will be issued or cash amount paid, until after such filing is complete. The Committee may in its sole discretion increase or decrease the number of shares of Common Stock that vest with respect to a Unit for the Performance Period and/or the amount of any cash payment vested and earned pursuant to the Long-Term Cash Incentive Award for the Performance Period to equitably account for any events or developments affecting achievement of the performance goals occurring during the Performance Period that were not anticipated at the Grant Date.

(d)Notwithstanding any provision to the contrary in this Agreement, all unvested Units (at the number of shares at the Target level set forth in Section 2 of Schedule A with respect to the Units), but not the Long-Term Cash Incentive Award or any portion thereof, shall immediately vest upon:

(i) termination of Recipient's employment by reason of the death or Disability of Recipient; or

(ii) Recipient's employment is terminated by the Corporation in anticipation of a Change of Control, or

(iii) Recipient is employed by the Corporation or an affiliate thereof at the time a Change of Control occurs, and at any time during the three-year period following such Change of Control (provided that the Units granted hereunder and related shares have not otherwise vested):

(1) Recipient's employment is terminated by the Corporation or an affiliate thereof for any reason other than for death, Disability or Cause, or

(2) Recipient terminates his/her employment for Good Reason within one year following the initial existence of the conditions giving rise to such Good

Reason; provided, however, that in the event any of the foregoing triggering events occurs after the end of the Performance Period but prior to the vesting date, then the number of Units that shall vest will be the actual number of Units that would have vested hereunder pursuant to Section 3(a) and **Schedule A** if the Recipient had been employed by the Corporation as of the vesting date (i.e., the number of Units shall not vest at the Target level, but shall vest based on the performance of the Corporation as set forth in Section 3(a) and **Schedule A**), and such Units shall not vest, and the associated number of shares shall not become issuable by the Corporation until final determination by the Committee of the number of Units that have vested and shares issuable in connection therewith pursuant to the terms set forth in this Agreement and the Plan (or, if such determination is made prior to the Corporation's filing with the SEC of its Annual Report on Form 10-K for its Fiscal Year 2028, then after such filing is complete).

(e) Notwithstanding any provision to the contrary in this Agreement, in the event of the Recipient's Retirement during the Performance Period and prior to the vesting date, the Units and/or Long-Term Cash Incentive Award shall continue to be eligible to vest and shall not be cancelled or forfeited as a result of Recipient's Retirement. In such event: (i) the number of Units that may vest will be the actual number of Units that would have vested hereunder pursuant to Section 3(a) and **Schedule A** if the Recipient had been employed by the Corporation as of the vesting date (i.e., the number of Units shall not vest at the Target level, but shall vest based on the performance of the Corporation as set forth in Section 3(a) and **Schedule A**), and (ii) the amount of the Long-Term Cash Incentive Award that may vest will be the actual cash amount that would have vested and been earned under the Long-Term Cash Incentive Award pursuant to Section 3(b) and **Schedule A** if the Recipient had been employed by the Corporation as of the vesting date (i.e., the Long-Term Cash Incentive Award shall not vest at the Target level, but shall vest based on the performance of the Corporation as set forth in Section 3(b) and **Schedule A**); provided, however, that the Recipient will only be entitled to a pro-rated portion of such vested Units and/or Long-Term Cash Incentive Award based on the percentage of the Performance Period that the Recipient was employed by the Corporation or its Subsidiaries (or providing Services to the Corporation or its Subsidiaries if applicable in accordance with Section 6 of this Agreement) prior to his/her Retirement. Moreover, the Units and Long-Term Cash Incentive Award shall not vest, and the associated number of shares and cash amount shall not become issuable or payable by the Corporation until final determination by the Committee of the number of Units that have vested and shares issuable, as well as the amount of the Long-Term Cash Incentive Award that has vested and the cash amount payable, pursuant to the terms set forth in this Agreement and the Plan (or, if such determination is made prior to the Corporation's filing with the SEC of its Annual Report on Form 10-K for its Fiscal Year 2028, then after such filing is complete).

Section 4. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

“**Cause**” shall mean (i) the commission by Recipient of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Recipient of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self-dealing); (iii) intentional, grossly negligent or unlawful misconduct by Recipient that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

“**Change of Control**” shall have the meaning given to such term in the Plan.

“**Disability**” shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Recipient participates. In the absence of any such plan, “**Disability**” shall mean any physical or mental impairment that renders Recipient unable to perform the essential functions of Recipient’s job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation’s request, Recipient shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Recipient for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Recipient’s examination to the Corporation.

“**Good Reason**” shall mean, without Recipient’s express written consent, the existence of any of the following conditions unless such conditions are fully corrected within 30 days after Recipient notifies the Corporation of the existence of such conditions as hereinafter provided:

- (a) a material diminution in Recipient’s authority, duties or responsibilities;
- (b) a material diminution in the authority, duties or responsibilities of the supervisor to whom Recipient is required to report, including a requirement that Recipient report to a Corporation officer or employee instead of reporting directly to the Corporation’s board of directors;
- (c) a material diminution in Recipient’s base salary, other than as a result of across-the-board salary reductions similarly affecting all management personnel of the Corporation; or
- (d) a material change in the geographic location at which Recipient must regularly perform services for the Corporation.

Recipient shall notify the Corporation that he/she believes that one or more of the conditions described above exists, and of his/her intention to terminate employment for Good Reason as a result thereof, within 60 days after the time that he/she gains knowledge of such conditions. Recipient shall not deliver a notice of termination of employment for Good Reason until 30 days after he/she delivers the notice described in the preceding sentence, and Recipient may do so only if the conditions described in such notice have not been fully corrected by the Corporation.

“Fiscal Year” means the fiscal year of the Corporation, which is the 52- or 53-week period ending on the Sunday closest to April 30.

“Financial Reporting Measures” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Corporation’s financial statements, and all other measures that are derived wholly or in part from such measures. Adjusted EBITDA shall for purposes of this Agreement be considered a Financial Reporting Measure. For the avoidance of doubt, a measure need not be presented in the Corporation’s financial statements or included in a filing with the SEC in order to be considered a Financial Reporting Measure.

“Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

“Performance Period” shall mean the period beginning April 28, 2025, and ending April 30, 2028.

“Retirement” shall mean the cessation of Recipient’s employment with the Corporation or its Subsidiaries as a result of Recipient voluntarily terminating his or her employment with the Corporation (or its Subsidiaries) and ceasing to provide any Services to the Corporation and its Subsidiaries (other than serving on the board of directors of the Corporation), for reasons other than death, Disability, Cause or Good Reason, with the intention of no longer being employed by or providing any services to any entity or individual on a full-time basis; provided, however, that the Recipient must be age 62 or older as of the effective date of such termination and separation.

Section 5. Settlement of Units and Payment of Long-Term Cash Incentive Award. Subject to the terms herein, including in **Schedule A** hereto, as soon as reasonably practicable following (i) a determination by the Committee that all or some of the Units have vested pursuant to the terms of this Agreement, and (ii) the Corporation’s filing with the SEC of its Annual Report on Form 10-K for its Fiscal Year 2028, the Corporation shall issue directly to the Recipient shares of Common Stock with respect to all such Units that have vested up to the amount corresponding to the Target level of Adjusted EBITDA set forth in Section 2 of **Schedule A**, and shall pay directly to the Recipient any cash amount vested and earned pursuant to the Long-Term Cash Incentive Award and as set forth in Section 3 of **Schedule A**. Any such vested shares of Common Stock shall not be treated as issued and outstanding until such shares have been issued by the Corporation in accordance with all applicable laws and the Corporation’s bylaws and articles of incorporation. Any certificate(s) evidencing shares of Common Stock shall bear such legends as the Corporation shall determine to be necessary to comply with all laws, including all applicable federal and state securities laws. All such shares of Common Stock issued pursuant to this Agreement shall be fully paid and nonassessable.

Section 6. Forfeiture. Except as expressly provided for in Section 3(d) or 3(e) of this Agreement, any time prior to the later of (i) the completion of the Performance Period or (ii) the determination by the Committee, pursuant to Sections 2 and 3 hereof, of the extent to which the performance goals for the Performance Period have been satisfied, all unvested Units and amounts under the Long-Term Cash Incentive Award shall automatically be cancelled and forfeited for no consideration by Recipient effective as of the earliest to occur of (a) the first day after the end of the Performance Period (to the extent that the Committee determines that such Units and/or amounts will not vest pursuant to the terms of this Agreement), (b) the termination by Recipient of his/her employment with the Corporation or its Subsidiaries for any reason, except as otherwise determined by the Committee in its sole discretion (including, if determined by the Committee, under circumstances in which Recipient will continue providing Services to the Corporation as a director, consultant, independent advisor or independent contractor following any such termination by Recipient), or (c) the termination by the Corporation of Recipient’s employment with the Corporation or its Subsidiaries (or, if the Committee has previously determined to allow this award to remain outstanding in accordance with Section 6(b) of this Agreement, the termination of the arrangement between the Corporation or its Subsidiaries and the Recipient for the provision of Services to the Corporation or its Subsidiaries) for any reason (including with or without Cause) (each such event being referred to herein as a **“Forfeiture Event”**). Upon the occurrence of a Forfeiture Event, all unvested Units and amounts under the Long-Term Cash Incentive Award shall automatically, without further action by the Corporation or Recipient, be cancelled and forfeited for no consideration.

Section 7. Tax Matters.

(a) Recipient shall promptly pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of any Units and the issuance of shares of Common Stock in respect thereof. Subject to the approval of the Committee, Recipient may elect to satisfy this obligation by having the Corporation withhold shares of Common Stock that would otherwise be issued to Recipient with respect to any Units that have vested, which shares of Common Stock shall have a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Recipient fails to make such payments as required (whether in cash or having shares of Common Stock withheld), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of Units and the issuance of shares of Common Stock in respect thereof. With respect to any cash amount payable to Recipient in connection with the vesting of the Long-Term Cash Incentive Award or any portion thereof, the Corporation shall withhold all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld from such amount.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Recipient is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Recipient that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Recipient’s “base amount,” all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Recipient from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 8. Clawback.

(a) If the Corporation’s reported financial or operating results become subject to a material negative restatement, the Committee may require Recipient to pay to the Corporation an amount corresponding to each award to the Recipient under this Agreement, and/or otherwise return such Units or Common Stock or cash amount that the Committee determines would not have been vested or paid if the Corporation’s results as originally published had been equal to the Corporation’s results as subsequently restated; provided that any requirement or claim under this Section 7(a) must be made, if at all, within five years after the date the amount claimed was originally vested or paid, whichever is later.

In addition, pursuant to the Corporation’s Dodd-Frank Clawback Policy (as amended from time to time, the “**Clawback Policy**”), if the Committee determines that recoupment of compensation paid hereunder is required pursuant to the Clawback Policy, the Committee will require Recipient to repay or return compensation awarded hereunder. By acceptance of any Award or payment hereunder, Recipient expressly acknowledges and agrees that any and all amounts paid to Recipient hereunder, and any other Incentive-Based Compensation paid by the Corporation to the Recipient, are and will be fully subject to the terms of the Clawback Policy (provided that Recipient is, or becomes, an individual that is subject to the Clawback Policy) and

agrees to cooperate fully with the Corporation to facilitate the recovery of any and all amounts paid pursuant to this Agreement and any other Incentive-Based Compensation paid by the Corporation that the Committee determines in its sole discretion is required to be recovered pursuant to the terms of the Clawback Policy.

The obligations of Recipient to make payments or return Common Stock pursuant to this Section 7(a) are independent of any involvement by such Recipient in events that led to the restatement. The provisions of this Section 7(a) are in addition to, not in lieu of, any remedies that the Corporation may have against any persons whose misconduct caused or contributed to a need to restate the Corporation's reported results.

(b) If at any time within three years of the vesting or payment of any award to Recipient under this Agreement, whichever is later, Recipient's employment is terminated for Cause (or, if such termination is deemed not to be for Cause, but the Corporation determines at any time during such three-year period that the Corporation could have terminated Recipient's employment for Cause based on Recipient's conduct during his or her time of employment with the Corporation), then if any part of the underlying conduct giving rise to such determination of Cause by the Corporation took place at any time during the applicable vesting period for each such award, as specified in this Agreement, then the Committee may require Recipient to pay to the Corporation an amount corresponding to each award that vested or was paid to Recipient pursuant to this Agreement, and/or to otherwise return such Units or Common Stock or cash amount.

(c) By acceptance of any award or Units hereunder, Recipient expressly acknowledges and agrees that any and all Units or Common Stock, as well as the Award-Equivalent Value thereof and/or any cash amount paid hereunder pursuant to the Long-Term Cash Incentive Award, are and will be fully subject to the terms of the foregoing clawback provisions, and agrees to cooperate fully with the Corporation to facilitate the recovery of any Units or Common Stock, Award-Equivalent Value and/or cash amount that the Committee requires to be recovered pursuant to the foregoing.

Section 9. Miscellaneous.

(a) **Governing Law.** This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver.** This Agreement and the Units and Long-Term Cash Incentive Award granted hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as though set forth in full herein. Recipient hereby acknowledges receipt of a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect.** Except as permitted by the Plan, this Agreement and the Units and Long-Term Cash Incentive Award granted hereunder may not be assigned, pledged, hypothecated or transferred by Recipient in any manner. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any

assignment in contravention of the terms contained elsewhere herein.

(d)**No Right to Employment.** Nothing in this Agreement shall confer on Recipient any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e)**Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f)**Notices.** Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office at CULP Innovation Center at Congdon Yards, 5th Floor, 410 W. English Road, High Point, North Carolina 27262, Attention: Compensation Committee, and any notice hereunder to Recipient shall be addressed to Recipient at his/her last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three

(3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CULP, INC.,
a North Carolina corporation

By: _ Name: Robert G. Culp, IV
Title: President and Chief Executive Officer

RECIPIENT

SCHEDULE A

Section 1. Certain Defined Terms

“**Adjusted EBITDA**” shall mean the total, consolidated earnings of the Corporation before the deduction of interest, taxes, depreciation and amortization for Fiscal Year 2028, excluding extraordinary and non-recurring items such as restructuring and related charges, goodwill or fixed asset impairment charges, prepayment fees on debt, other extraordinary charges or credits, and the effects of acquisitions, and also excluding any other items that the Committee deems appropriate for exclusion, all as calculated by the Corporation’s accounting function.

Section 2. Vesting of Units

Except as may otherwise be provided in the Plan or this Agreement, the Units shall vest, if at all, depending upon the Adjusted EBITDA of the Corporation, as follows:

<u>Level</u>	<u>Adjusted EBITDA*</u>	<u>Number of Shares</u>
Below Threshold	Below \$12,421,000	0
Entry Point (Threshold)	\$12,421,000	____ (0.20 shares per Unit)
Target	\$15,421,000**	____ (one share per Unit)**

* For Adjusted EBITDA performance that is between the Entry Point (Threshold) and Target levels shown in this column, a pro rata number of shares will be awarded, calculated on a straight-line basis.

** One share per Unit is the maximum that can be earned under this equity award opportunity regardless of whether Adjusted EBITDA exceeds the Target level of \$15,421,000.

Section 3. Vesting of Long-Term Cash Incentive Award

Except as may otherwise be provided in the Plan or this Agreement, the Long-Term Cash Incentive Award shall vest and be earned, if at all, depending upon the Adjusted EBITDA of the Corporation, as follows:

<u>Level</u>	<u>Adjusted EBITDA*</u>	<u>Cash Incentive Award Earned</u>
Below Threshold	\$15,421,000 or Below	\$0
Entry Point (Threshold)	Above \$15,421,000 and Below \$20,000,000	Between \$____ and \$____
Target	\$20,000,000**	\$____**

* For Adjusted EBITDA performance that is between the Entry Point (Threshold)

and Target levels shown in this column, a pro rata cash amount will be awarded,

calculated on a straight-line basis.

** \$_ is the maximum amount that can be earned under this cash incentive award opportunity regardless of whether Adjusted EBITDA exceeds the Target level of \$20,000,000.

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (the “**Agreement**”), dated as of September 25, 2025, is between **CULP, INC.**, a North Carolina corporation (the “**Corporation**”), and _____ (“**Recipient**”).

Background Statement

The Corporation desires to grant to Recipient Restricted Stock Units (the “**Units**”) pursuant to the Culp, Inc. Amended and Restated Equity Incentive Plan (the “**Plan**”). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. Grant of Units. The Corporation hereby grants to Recipient _____ Units. Each Unit shall entitle Recipient to receive, upon vesting thereof in accordance with this Agreement and the Plan, one (1) share of common stock, par value \$0.05 per share, of the Corporation (“**Common Stock**”). Except as permitted by the Plan, the Units may not be assigned, pledged, hypothecated or transferred in any manner. Recipient shall not have, with respect to any Units, any rights of a shareholder of the Corporation, including without limitation any right to vote as a shareholder of the Corporation or any right to receive distributions from the Corporation in respect of the Units.

Section 2. Vesting. Except as may otherwise be provided in the Plan or this Agreement, the Units shall vest in the amount set forth below as follows:

If the Recipient continuously serves as a director of the Corporation from the date first referenced above through the date that is the earlier of (i) the one-year anniversary of the date of grant and (ii) the next annual meeting of shareholders which is at least 50 weeks after the Corporation’s September 24, 2025, annual meeting of shareholders, Recipient shall vest in 13,064 shares of Common Stock on such date.

Notwithstanding the foregoing, all unvested Units (at the rate of one (1) share of Common Stock per Unit) shall immediately vest upon:

- (a) termination of Recipient’s service as a director of the Corporation by reason of the death or Disability of Recipient; or
 - (b) the removal of Recipient as a director of the Corporation in anticipation of a Change of Control; or
 - (c) Recipient’s service as a director of the Corporation at the time a Change of Control occurs, and at any time during the one-year period following such Change of Control (provided that the Units granted hereunder and related shares have not otherwise vested), Recipient’s removal as a director of the Corporation for any reason other than for death, Disability or Cause.
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Section 3. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

“**Cause**” shall mean (i) the commission by Recipient of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Recipient of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self-dealing); (iii) intentional, grossly negligent or unlawful misconduct by Recipient that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

“**Change of Control**” shall have the meaning given to such term in the Plan.

“**Disability**” shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Recipient participates. In the absence of any such plan, “**Disability**” shall mean any physical or mental impairment that renders Recipient unable to perform the essential functions of Recipient’s duties with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation’s request, Recipient shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Recipient for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Recipient’s examination to the Corporation.

Section 4. Settlement. As soon as reasonably practicable following a determination by the Corporation and the Compensation Committee (the “**Committee**”) of the Corporation’s board of directors that all or part of the Units have vested pursuant to the terms of this Agreement, the Corporation shall issue directly to the Recipient shares of Common Stock with respect to all such Units that have vested. Such shares of Common Stock shall not be treated as issued and outstanding until such shares have been issued by the Corporation in accordance with all applicable laws and the Corporation’s bylaws and articles of incorporation. Any certificate(s) evidencing shares of Common Stock shall bear such legends as the Corporation shall determine to be necessary to comply with all laws, including all applicable federal and state securities laws. All such shares of Common Stock issued pursuant to this Agreement shall be fully paid and nonassessable.

Section 5. Forfeiture. All Units that do not vest pursuant to **Section 2** shall automatically be cancelled and forfeited by Recipient effective as of the date Recipient ceases to serve as a director of the Corporation for any reason, except as otherwise determined by the Committee, in its sole discretion (such event being referred to herein as a “**Forfeiture Event**”). Upon the occurrence of a Forfeiture Event, all unvested Units shall automatically, without further action by the Corporation or Recipient, be cancelled and forfeited.

Section 6. Tax Matters.

(a) Recipient shall promptly pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of any Units and the issuance of shares of Common Stock in respect

thereof. Subject to the approval of the Committee, Recipient may elect to satisfy this obligation by having the Corporation withhold shares of Common Stock that would otherwise be issued to Recipient with respect to any Units that have vested, which shares of Common Stock shall have a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Recipient fails to make such payments as required (whether in cash or having shares of Common Stock withheld), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of Units and the issuance of shares of Common Stock in respect thereof.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Recipient is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “**Code**”) but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Recipient that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Recipient’s “base amount,” all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Recipient from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 7.Clawback. If at any time within three years of the vesting or payment of any award to Recipient under this Agreement, whichever is later, the Recipient is removed by the shareholders as a director of the Corporation (or voluntarily resigns as a director of the Corporation) for Cause (or, if such removal or resignation is deemed not to be for Cause, but the Corporation determines at any time during such three-year period that the shareholders of the Corporation could have sought to remove Recipient as a director of the Corporation for Cause based on Recipient’s conduct during his or her time as a director of the Corporation), then if any part of the underlying conduct giving rise to such determination of Cause took place at any time during the applicable vesting period for each such award, as specified in this Agreement, then the Committee may require Recipient to pay to the Corporation an amount corresponding to each award that vested or was paid to Recipient pursuant to this Agreement, or to otherwise return such Units or Common Stock.

By acceptance of any award or Units hereunder, Recipient expressly acknowledges and agrees that any and all Units or Common Stock, as well as the equivalent cash value thereof with respect to any and all such Units or Common Stock, that have become vested, exercised, free of restriction or otherwise released to and/or monetized by or for the benefit of Recipient or any transferee or assignee thereof (collectively, the “**Award-Equivalent Value**”), are and will be fully subject to the terms of the foregoing clawback provision, and agrees to cooperate fully with the

Corporation to facilitate the recovery of any Units or Common Stock and/or Award-Equivalent Value that the Committee requires to be recovered pursuant to the foregoing.

Section 8. Miscellaneous.

(a) **Governing Law.** This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver.** This Agreement and the Units granted hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as though set forth in full herein. Recipient hereby acknowledges receipt of a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect.** Except as permitted by the Plan, this Agreement and the Units granted hereunder may not be assigned, pledged, hypothecated or transferred by Recipient in any manner. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(e) **Notices.** Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office, Attention: Compensation Committee, and any notice hereunder to Recipient shall be addressed to Recipient at his/her last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[Signature page is the next page.]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CULP, INC.,
a North Carolina corporation

By: _____
Name: Robert G. Culp, IV
Title: President & Chief Executive Officer

RECIPIENT

ANNUAL INCENTIVE AWARD AGREEMENT

THIS ANNUAL INCENTIVE AWARD AGREEMENT (the “**Agreement**”), dated as of August 7, 2025, is between CULP, INC., a North Carolina corporation (the “**Corporation**”), and _____ (“**Recipient**”).

Background Statement

The Corporation desires to grant to Recipient an annual incentive award (the “**Award**”) pursuant to the Culp, Inc. Amended and Restated Equity Incentive Plan (the “**Plan**”). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. Grant of Award. The Corporation hereby grants to Recipient the Award described below.

The Award will pay a cash incentive bonus for the Performance Period defined below to Recipient upon final determination by the Compensation Committee (the “**Committee**”) of the Corporation’s board of directors that a cash incentive payment is due pursuant to the terms of this Agreement and the Plan.

The cash incentive payment due hereunder is calculated with reference to the Corporation’s Adjusted EBITDA Results and corresponding Bonus Percentage set forth in **Schedule A** hereto, and the cash incentive payment due to Recipient is the applicable Bonus Percentage set forth in **Schedule A** hereto, determined based on the Corporation’s Adjusted EBITDA, multiplied by Recipient’s Bonus Opportunity defined below.

Performance Period: The Corporation’s fiscal year ending May 3, 2026.

Bonus Opportunity: Recipient’s Bonus Opportunity is ___% of Recipient’s base salary during the Performance Period.

The maximum Bonus Percentage for this Award is 50% of Recipient’s Bonus Opportunity. In addition, the Committee shall have the authority to, in its discretion, increase or reduce the amount of any Recipient’s cash incentive payment based upon any considerations the Committee deems relevant.

Section 2. Vesting. This cash incentive Award will vest and become payable upon final determination of the amount, if any, to be paid by the Committee, provided, however, that if such determination is made by the Committee prior to the Corporation’s filing with the Securities and Exchange Commission (“**SEC**”) of its Annual Report on Form 10-K that relates to the financial results for the Performance Period, then the cash incentive amount to be paid hereunder will not vest and become payable until after such filing is complete.

Notwithstanding the foregoing, this cash incentive Award shall immediately vest (at the

maximum Bonus Percentage of 50% of Recipient's Bonus Opportunity) and become payable upon the occurrence of the following:

(a) termination of Recipient's employment by reason of the death or Disability of Recipient;

or

(b) Recipient's employment is terminated by the Corporation in anticipation of a Change of Control, or

(c) Recipient is employed by the Corporation or an affiliate thereof at the time a Change of Control occurs, and at any time during the 18-month period following such Change of Control (provided that any cash incentive payment provided for hereunder shall have not already become due and been paid):

(i) Recipient's employment is terminated by the Corporation or an affiliate thereof for any reason other than for death, Disability or Cause, or

(ii) Recipient terminates his/her employment for Good Reason within one year following the initial existence of the conditions giving rise to such Good Reason;

provided, however, that in the event any of the foregoing triggering events occurs after the end of the Performance Period but prior to the vesting of the Award, then the amount of the cash incentive payment to Recipient shall be the amount that would be due hereunder based on the performance of the Corporation calculated in accordance with the applicable Bonus Percentage set forth in **Schedule A** hereto, determined based on the Corporation's Adjusted EBITDA, multiplied by Recipient's Bonus Opportunity, and such award shall not vest and become payable until final determination of the amount to be paid by the Corporation and the Committee (or, if such determination is made prior to the Corporation's filing with the SEC of its Annual Report on Form 10-K that relates to the financial results for the Performance Period, then after such filing is complete).

Additional Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

"Cause" shall mean (i) the commission by Recipient of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Recipient of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self-dealing); (iii) intentional, grossly negligent or unlawful misconduct by Recipient that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

"Change of Control" shall have the meaning given to such term in the Plan.

"Disability" shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Recipient participates. In the absence of any such plan, **"Disability"** shall mean any physical or mental impairment that renders Recipient unable to perform the essential functions of Recipient's job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation's request, Recipient shall submit to an

examination by a duly licensed physician who is mutually acceptable to the Corporation and Recipient for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Recipient's examination to the Corporation.

“Good Reason” shall mean, without Recipient's express written consent, the existence of any of the following conditions unless such conditions are fully corrected within 30 days after Recipient notifies the Corporation of the existence of such conditions as hereinafter provided:

- (a) a material diminution in Recipient's authority, duties or responsibilities;
- (b) a material diminution in the authority, duties or responsibilities of the supervisor to whom Recipient is required to report;
- (c) a material diminution in Recipient's base salary, other than as a result of across-the-board salary reductions similarly affecting all management personnel of the Corporation; or
- (d) a material change in the geographic location at which Recipient must regularly perform services for the Corporation.

Recipient shall notify the Corporation that he/she believes that one or more of the conditions described above exists, and of his/her intention to terminate employment for Good Reason as a result thereof, within 60 days after the time that he/she gains knowledge of such conditions. Recipient shall not deliver a notice of termination of employment for Good Reason until 30 days after he/she delivers the notice described in the preceding sentence, and Recipient may do so only if the conditions described in such notice have not been fully corrected by the Corporation.

“Financial Reporting Measures” shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Corporation's financial statements, and all other measures that are derived wholly or in part from such measures. “Adjusted EBITDA” and “Net Debt” (both as defined in **Schedule A** hereto) shall for purposes of this Agreement be considered a Financial Reporting Measure. For the avoidance of doubt, a measure need not be presented in the Corporation's financial statements or included in a filing with the SEC in order to be considered a Financial Reporting Measure.

“Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

Section 3. Settlement. As soon as reasonably practicable following (i) a determination by the Corporation and the Committee that a cash incentive payment is due hereunder and (ii) the Corporation's filing with the SEC of its Annual Report on Form 10-K that relates to the financial results for the Performance Period, the Award will be paid in cash, or will be paid in accordance with any proper and valid election under the Culp, Inc. Deferred Compensation Plan for Key Employees, but only if such election has been made in accordance with the policies and procedures of the Corporation pursuant to such plan.

Section 4. Forfeiture. All cash incentive amounts that do not vest pursuant to Section 2 shall automatically be cancelled and forfeited by Recipient effective as of the earlier to occur of (a) the first day after the end of the Performance Period (to the extent that Adjusted EBITDA for the Corporation

is insufficient to cause any cash incentive payment to vest pursuant to the terms of this Agreement), (b) the date on which the Committee determines in its discretion as set forth in Section 1 that no cash incentive is payable pursuant to this Agreement, (c) the termination by Recipient of his/her employment with the Corporation or its Subsidiaries for any reason, except as otherwise determined by the Committee, in its sole discretion (for example, under circumstances in which Recipient will continue providing Services to the Corporation as a director, consultant, or independent contractor following any such termination by Recipient, or such other circumstances as determined by the Committee), or (d) the termination by the Corporation of Recipient's employment with the Corporation or its Subsidiaries for any reason (including with or without Cause) (each such event being referred to herein as a **"Forfeiture Event"**). Upon the occurrence of a Forfeiture Event, all unvested bonus amounts shall automatically, without further action by the Corporation or Recipient, be cancelled and forfeited.

Section 5. Tax Matters.

(a) Recipient shall promptly pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting or payment of the Award hereunder, and the Corporation, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting or payment of a cash incentive earned hereunder.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if Recipient is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the **"Code"**) but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Recipient that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Recipient's "base amount," all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Recipient from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 6. Clawback.

(a) If the Corporation's reported financial or operating results become subject to a material negative restatement, the Committee, in its discretion, may require Recipient to pay to the Corporation an amount corresponding to the amount that the Committee determines would not have been vested or paid if the Corporation's results as originally published had been equal to the Corporation's results as subsequently restated; provided that any requirement or claim under this Section 6(a) must be made, if at all, within five years after the date the amount claimed was originally vested or paid, whichever is later.

In addition, pursuant to the Corporation's Dodd-Frank Clawback Policy (as amended from time to time, the **"Clawback Policy"**), if the Committee determines that recoupment of compensation paid hereunder is required pursuant to the Clawback Policy, the Committee will require Recipient to

repay or return compensation awarded hereunder. By acceptance of any Award or cash incentive payment hereunder, Recipient expressly acknowledges and agrees that any and all amounts paid to Recipient hereunder, and any other Incentive-Based Compensation paid by the Corporation to the Recipient, are and will be fully subject to the terms of the Clawback Policy (provided that Recipient is, or becomes, an individual that is subject to the Clawback Policy) and agrees to cooperate fully with the Corporation to facilitate the recovery of any and all amounts paid pursuant to this Agreement and any other Incentive-Based Compensation paid by the Corporation that the Committee determines in its sole discretion is required to be recovered pursuant to the terms of the Clawback Policy.

The obligations of Recipient to make payments or return bonus amounts paid hereunder pursuant to this Section 6(a) are independent of any involvement by such Recipient in events that led to the restatement. The provisions of this Section 6(a) are in addition to, not in lieu of, any remedies that the Corporation may have against any persons whose misconduct caused or contributed to a need to restate the Corporation's reported results.

(b) If at any time within three years of the vesting or payment of any award to Recipient under this Agreement, whichever is later, Recipient's employment is terminated for Cause (or, if such termination is deemed not to be for Cause, but the Corporation determines at any time during such three-year period that the Corporation could have terminated Recipient's employment for Cause based on Recipient's conduct during his or her time of employment with the Corporation), then if any part of the underlying conduct or circumstances giving rise to such determination of Cause by the Corporation took place at any time during the applicable vesting period for each such award, as specified in this Agreement, then the Committee may require Recipient to pay to the Corporation an amount corresponding to each award that vested or was paid to Recipient pursuant to this Agreement.

By acceptance of any Award or cash incentive payment hereunder, Recipient expressly acknowledges and agrees that any and all amounts paid to Recipient hereunder are and will be fully subject to the terms of the foregoing clawback provisions, and agrees to cooperate fully with the Corporation to facilitate the recovery of any such amounts that the Committee requires to be recovered pursuant to the foregoing.

Section 7. Miscellaneous.

(a) **Governing Law.** This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver.** This Agreement and the Award granted hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as though set forth in full herein. Recipient hereby acknowledges receipt of a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect.** Except as permitted by the Plan, this Agreement and the Award granted hereunder may not be assigned, pledged, hypothecated or transferred by Recipient in any manner. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however,

that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment.** Nothing in this Agreement shall confer on Recipient any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices.** Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office at CULP Innovation Center at Congdon Yards, 5th Floor, 410 W. English Road, High Point, North Carolina 27262, Attention: Compensation Committee, and any notice hereunder to Recipient shall be addressed to Recipient at his/her last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CULP, INC.,
a North Carolina corporation

By: _____
Name: Robert G. Culp, IV
Title: President and Chief Executive Officer

RECIPIENT

SCHEDULE A

Section 1. Certain Defined Terms

“**Bonus Percentage**” is calculated using the percentage amounts derived from Section 2 of this **Schedule A**, which is 100% based upon the Adjusted EBITDA results for the Corporation during the Performance Period, with straight line interpolation being used to determine Bonus Percentage amounts between the amounts shown in Section 2 of this **Schedule A**; provided, however, that in the event that the Corporation’s Net Debt is above the specified moderator threshold level for such metric shown in the table in Section 3 of this **Schedule A**, then any cash incentive earned by the Recipient pursuant to this Agreement shall be reduced by 40%.

“**Adjusted EBITDA**” shall mean the total, consolidated earnings of the Corporation before the deduction of interest, taxes, depreciation and amortization for the Performance Period, excluding extraordinary and non-recurring items such as restructuring and related charges, goodwill or fixed asset impairment charges, prepayment fees on debt, other extraordinary charges or credits, and the effects of acquisitions, and also excluding any other items that the Committee deems appropriate for exclusion, all as calculated by the Corporation’s accounting function.

“**Net Debt**” shall mean the total amounts outstanding under the Corporation’s lines of credit (current and long-term) less the consolidated cash and cash equivalents of the Corporation and also including or excluding any other items that the Committee deems appropriate, all as of the conclusion of the Performance Period and as calculated by the Corporation’s accounting function.

Section 2. Bonus Percentage Amounts

<u>Bonus Percentage</u>	<u>Adjusted EBITDA Results *</u>
0%	(Below Threshold) Less than \$1,402,000
20%	(Threshold) \$1,402,000
50%	(Target) \$4,202,000 **

* For Adjusted EBITDA performance that is between the Threshold and Target levels shown above, a pro rata amount will be awarded, calculated on a straight-line basis.

** 50% is the maximum Bonus Percentage that can be earned under this award opportunity regardless of whether Adjusted EBITDA exceeds the Target level of \$4,202,000.

Section 3. Negative Moderator. Notwithstanding anything to the contrary in this Agreement (including this **Schedule A**), a negative moderator will be applied against any earned cash incentive as follows:

Net Debt Results	Negative Moderator Applied to Any Earned Bonus
\$13,000,000 or more (higher)	40%

For example, if a 40% negative moderator is applied to an Award that would have been a value of \$10,000, but for the Net Debt being below the relevant threshold, the Award would be reduced to \$6,000.

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (the “**Agreement**”), dated as of August 7, 2025, is between **CULP, INC.**, a North Carolina corporation (the “**Corporation**”), and _____ (“**Recipient**”).

Background Statement

The Corporation desires to grant to Recipient restricted stock units pursuant to the Culp, Inc. Amended and Restated Equity Incentive Plan (the “**Plan**”). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. Grant of Units. As of August 7, 2025 (the “**Grant Date**”), the Corporation hereby grants to Recipient _____ restricted stock units, all of which shall vest in accordance with Section 2 herein (the “**Units**”) upon a final determination by the Compensation Committee (the “**Committee**”) of the satisfaction of the vesting conditions set forth herein and the number of Units that have vested in connection therewith. Each Unit shall entitle Recipient to receive, upon vesting thereof in accordance with this Agreement and the Plan, one (1) share of common stock, par value \$0.05 per share, of the Corporation (“**Common Stock**”). Except as permitted by the Plan, the Units may not be assigned, pledged, hypothecated or transferred in any manner. Recipient shall not have, with respect to any Units, any rights of a shareholder of the Corporation, including without limitation any right to vote as a shareholder of the Corporation or any right to receive distributions from the Corporation in respect of the Units. The Units are granted to the Recipient in connection with Recipient’s employment with the Corporation.

Section 2. Vesting. Except as may otherwise be provided in the Plan or this Agreement, the Units shall vest in the amounts set forth below on the date that the Corporation files its Annual Report on Form 10-K with the Securities and Exchange Commission (“**SEC**”) for the fiscal year ending on April 30, 2028 (the “**Vesting Date**”):

_____ shares of Common Stock

The Corporation shall, as soon as practicable upon the vesting of any Units (but in no event later than sixty (60) days following the Vesting Date), effect delivery of the shares of Common Stock with respect to such vested Units to the Recipient (or, in the event of the Units have passed to the estate or beneficiary of the Recipient or a permitted transferee, by such estate or beneficiary or permitted transferee) and, following such delivery of such shares, such vested Units shall cease to be outstanding.

(a) Notwithstanding the foregoing, all unvested Units (at the rate of one (1) share of Common Stock per Unit) shall immediately vest upon:

- (i) termination of Recipient’s employment by reason of the death or Disability of Recipient; or

(ii) Recipient's employment being terminated by the Corporation in anticipation of a Change of Control, or

(iii) Recipient is employed by the Corporation or an affiliate thereof at the time a Change of Control occurs, and at any time during the three-year period following such Change of Control (provided that the Units granted hereunder and related shares have not otherwise vested):

(1) Recipient's employment is terminated by the Corporation or an affiliate thereof for any reason other than for death, Disability or Cause, or

(2) Recipient terminates his/her employment for Good Reason within one year following the initial existence of the conditions giving rise to such Good Reason.

Section 3. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

"Cause" shall mean (i) the commission by Recipient of a felony (or crime involving moral turpitude); (ii) theft, conversion, embezzlement or misappropriation by Recipient of funds or other assets of the Corporation or its Subsidiaries or any other act of fraud with respect to the Corporation or its Subsidiaries (including without limitation the acceptance of bribes or kickbacks or other acts of self-dealing); (iii) intentional, grossly negligent or unlawful misconduct by Recipient that causes significant harm to the Corporation or its Subsidiaries; or (iv) repeated instances of intoxication with alcohol or drugs while conducting business during regular business hours.

"Change of Control" shall have the meaning given to such term in the Plan.

"Disability" shall have the meaning given to such term in the primary disability benefit plan of the Corporation in which Recipient participates. In the absence of any such plan, **"Disability"** shall mean any physical or mental impairment that renders Recipient unable to perform the essential functions of Recipient's job with the Corporation and its Subsidiaries for a period of at least 120 days, either with or without reasonable accommodation. At the Corporation's request, Recipient shall submit to an examination by a duly licensed physician who is mutually acceptable to the Corporation and Recipient for the purpose of ascertaining the existence of a Disability, and shall authorize the physician to release the results of Recipient's examination to the Corporation.

"Good Reason" shall mean, without Recipient's express written consent, the existence of any of the following conditions unless such conditions are fully corrected within 30 days after Recipient notifies the Corporation of the existence of such conditions as hereinafter provided:

(a) a material diminution in Recipient's authority, duties or responsibilities;

(b) a material diminution in the authority, duties or responsibilities of the supervisor to whom Recipient is required to report, including a requirement that Recipient report to a Corporation officer or employee instead of reporting directly to the Corporation's board of directors;

(c) a material diminution in Recipient's base salary, other than as a result of across-the-board salary reductions similarly affecting all management personnel of the

Corporation; or

(d) a material change in the geographic location at which Recipient must regularly perform services for the Corporation.

Recipient shall notify the Corporation that he/she believes that one or more of the conditions described above exists, and of his/her intention to terminate employment for Good Reason as a result thereof, within 60 days after the time that he/she gains knowledge of such conditions. Recipient shall not deliver a notice of termination of employment for Good Reason until 30 days after he/she delivers the notice described in the preceding sentence, and Recipient may do so only if the conditions described in such notice have not been fully corrected by the Corporation.

Section 4. Settlement. Subject to the terms herein, as soon as reasonably practicable following a determination by the Committee that all or some of the Units have vested pursuant to the terms of this Agreement, the Corporation shall issue directly to the Recipient shares of Common Stock with respect to all such Units that have vested. Such shares of Common Stock shall not be treated as issued and outstanding until such shares have been issued by the Corporation in accordance with all applicable laws and the Corporation's bylaws and articles of incorporation. Any certificate(s) evidencing shares of Common Stock shall bear such legends as the Corporation shall determine to be necessary to comply with all laws, including all applicable federal and state securities laws. All such shares of Common Stock issued pursuant to this Agreement shall be fully paid and nonassessable.

Section 5. Forfeiture. All Units that have not vested pursuant to Section 2 shall automatically be cancelled and forfeited by Recipient effective as of the earlier to occur of (a) the termination by Recipient of his/her employment with the Corporation or its Subsidiaries for any reason, except as otherwise determined by the Committee, in its sole discretion (for example, under circumstances in which Recipient will continue providing Services to the Corporation as a director, consultant, or independent contractor following any such termination by Recipient, or such other circumstances as determined by the Committee), or (b) the termination by the Corporation of Recipient's employment with the Corporation or its Subsidiaries for any reason (including with or without Cause) (each such event being referred to herein as a "**Forfeiture Event**"). Upon the occurrence of a Forfeiture Event, all unvested Units shall automatically, without further action by the Corporation or Recipient, be cancelled and forfeited.

Section 6. Tax Matters.

(a) Recipient shall promptly pay to the Corporation all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of any Units and the issuance of shares of Common Stock in respect thereof. Subject to the approval of the Committee, Recipient may elect to satisfy this obligation by having the Corporation withhold shares of Common Stock that would otherwise be issued to Recipient with respect to any Units that have vested, which shares of Common Stock shall have a Fair Market Value (as of the date that the amount of the withholding requirement is to be determined) equal to the amount of such withholding requirement. If Recipient fails to make such payments as required (whether in cash or having shares of Common Stock withheld), the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Recipient all federal, state and local income, social security and payroll taxes of any kind required by law to be withheld with respect to the vesting of Units and the issuance of shares of Common Stock in respect thereof.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control

occurs and if Recipient is entitled under any agreement or arrangement (including, without limitation, this Agreement) to receive compensation that would constitute a parachute payment (including, without limitation, the vesting of any rights) within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “**Code**”) but for the operation of this sentence, then the amount of all such payments shall be reduced, as determined by the Corporation, to the extent necessary to cause the aggregate present value of all payments in the nature of compensation to Recipient that are contingent on a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, not to exceed 2.99 times Recipient’s “base amount,” all within the meaning of Section 280G of the Code and the regulations promulgated thereunder. The parties intend for the immediately preceding sentence to be interpreted and applied so as to prevent Recipient from receiving, with respect to a Change of Control, an excess parachute payment within the meaning of Section 280G of the Code.

Section 7. Clawback. If at any time within three years of the vesting or payment of any award to Recipient under this Agreement, whichever is later, Recipient’s employment is terminated for Cause (or, if such termination is deemed not to be for Cause, but the Corporation determines at any time during such three-year period that the Corporation could have terminated Recipient’s employment for Cause based on Recipient’s conduct during his or her time of employment with the Corporation), then if any part of the underlying conduct giving rise to such determination of Cause by the Corporation took place at any time during the applicable vesting period for each such award, as specified in this Agreement, then the Committee may require Recipient to pay to the Corporation an amount corresponding to each award that vested or was paid to Recipient pursuant to this Agreement, or to otherwise return such Units or Common Stock.

By acceptance of any award or Units hereunder, Recipient expressly acknowledges and agrees that any and all Units or Common Stock, as well as the equivalent cash value thereof with respect to any and all such Units or Common Stock, that have become vested, exercised, free of restriction or otherwise released to and/or monetized by or for the benefit of the Recipient or any transferee or assignee thereof (collectively, the “**Award-Equivalent Value**”), are and will be fully subject to the terms of the foregoing clawback provision, and agrees to cooperate fully with the Corporation to facilitate the recovery of any Units or Common Stock and/or Award- Equivalent Value that the Committee requires to be recovered pursuant to the foregoing.

Section 8. Miscellaneous.

(a) **Governing Law.** This Agreement shall be construed, administered and governed in all respects under and by the applicable internal laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

(b) **Entire Agreement; Amendment and Waiver.** This Agreement and the Units granted hereunder shall be subject to the terms of the Plan, which hereby is incorporated into this Agreement as though set forth in full herein. Recipient hereby acknowledges receipt of a copy of the Plan. This Agreement and the Plan reflect the entire agreement between the parties hereto and supersede any prior or contemporaneous written or oral understanding or agreement regarding the subject matter hereof. This Agreement may not be modified, amended, supplemented or waived except by a writing signed by the parties hereto, and such writing must refer specifically to this Agreement.

(c) **Assignment; Binding Effect.** Except as permitted by the Plan, this Agreement and

the Units granted hereunder may not be assigned, pledged, hypothecated or transferred by Recipient in any manner. This Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the heirs, successors and assigns of the parties hereto; provided, however, that this provision shall not permit any assignment in contravention of the terms contained elsewhere herein.

(d) **No Right to Employment.** Nothing in this Agreement shall confer on Recipient any right to continue in the employ of the Corporation or any of its Subsidiaries.

(e) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic device shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic device shall also deliver an original executed counterpart of this Agreement, but the failure to deliver an original executed counterpart of this Agreement shall not affect the validity, enforceability and binding effect of this Agreement.

(f) **Notices.** Any notice hereunder to the Corporation shall be addressed to the Corporation's principal executive office at CULP Innovation Center at Congdon Yards, 5th Floor, 410 W. English Road, High Point, North Carolina 27262, Attention: Compensation Committee, and any notice hereunder to Recipient shall be addressed to Recipient at his/her last address in the records of the Corporation, subject to the right of either party to designate at any time hereafter in writing a different address. Any notice shall be deemed to have been given when delivered personally, one (1) day after dispatch if sent by reputable overnight courier, fees prepaid, or three (3) days following mailing if sent by registered mail, return receipt requested, postage prepaid and addressed as set forth above.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CULP, INC.,
a North Carolina corporation

By:_____ Name: Robert G. Culp, IV
Title: President and Chief Executive Officer

RECIPIENT

CERTIFICATIONS

I, Robert G. Culp, IV, certify that:

1. I have reviewed this Form 10-Q of Culp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert G. Culp, IV

Robert G. Culp, IV
President and Chief Executive Officer
(Principal Executive Officer)

Date: December 12, 2025

CERTIFICATIONS

I, Kenneth R. Bowling, certify that:

1. I have reviewed this Form 10-Q of Culp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth R. Bowling

Kenneth R. Bowling
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: December 12, 2025

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the “Company”) on Form 10-Q for the period ended August 3, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert G. Culp, IV, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert G. Culp, IV

Robert G. Culp, IV
President and Chief Executive Officer

December 12, 2025

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Culp, Inc. (the “Company”) on Form 10-Q for the period ended August 3, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kenneth R. Bowling, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Kenneth R. Bowling

Kenneth R. Bowling
Executive Vice President and Chief Financial Officer

December 12, 2025

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Culp, Inc. and will be retained by Culp, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
