



CULP, INC.

NYSE: CULP

Third Quarter Fiscal 2020

Summary Financial Information

March 4, 2020

THIRD QUARTER FISCAL 2020 HIGHLIGHTS

- ◆ Net sales were \$72.0 million, down 6.8 percent over the prior year, with mattress fabrics sales down 7.4 percent, upholstery fabrics sales down 5.7 percent, and home accessories sales down 11.0 percent.
- ◆ Pre-tax loss (GAAP) for the third quarter of fiscal 2020 was \$(5.1) million, compared with pre-tax income (GAAP) of \$4.3 million for the prior-year period.
- ◆ Pre-tax income (non-GAAP) for the third quarter of fiscal 2020 was \$2.4 million excluding a reversal of a \$6.1 million contingent earnout liability and non-cash impairment charges of \$13.6 million related to the home accessories division. Pre-tax income (non-GAAP) for the prior-year period was \$5.0 million excluding restructuring and related charges and credits and other non-recurring items resulting in a net charge of approximately \$769,000. (See reconciliation table at back of presentation.)
- ◆ The company's financial position reflected total cash and investments of \$34.8 million and outstanding borrowings totaling \$925,000 as of February 2, 2020, for a net cash position of \$33.9 million. (See summary of cash and investments on slide 16).
- ◆ The company announced a quarterly cash dividend of 10.5 cents per share, payable in April.
- ◆ The company repurchased 55,750 shares of its common stock during the third quarter of fiscal 2020, and subsequently repurchased an additional 86,746 shares through March 4, 2020, leaving approximately \$3.3 million available under the share repurchase program approved by the company's Board of Directors in September 2019. The Board has approved an increase in the authorization for the company to repurchase shares back up to a total of \$5.0 million.

INCOME TAX IMPACTS FOR Q3 AND FISCAL 2020 YTD

- ◆ The effective income tax rates for the third quarter (19%) and year-to-date period (142.8%) reflect the significant decline in the company's projected annual consolidated taxable income, particularly in the U.S., and the mix of consolidated taxable income that is earned by the company's foreign operations located in China and Canada that have higher income tax rates in relation to the U.S.
- ◆ This current mix of taxable income has led to a significant increase in the effective income tax rate that is associated with the company's Global Intangible Low Taxed Income (GILTI) Tax, which represents a U.S. income tax on the company's foreign earnings.
- ◆ The company's effective income tax rate also significantly increased due to the income tax effects of the asset impairments associated with the company's home accessories segment incurred during the third quarter that were attributable to non-controlling interest.
- ◆ Income taxes incurred in the U.S. on a cash basis for fiscal 2020 are expected to be minimal due to the projected utilization of the company's U.S. Federal net operating loss carryforwards and immediate expensing of U.S. capital expenditures.

THIRD QUARTER 2020 HIGHLIGHTS

(\$ in millions)

GAAP	Q3 FY20	Q3 FY19	Change	
			\$	%
Sales	\$72.0	\$77.2	\$(5.2)	(6.8)%
Operating income (Loss)	\$(5.1)	\$4.3	\$(9.4)	(218.4)%
Operating income margin	(7.1)%	5.6%		(1270) bp
Pre-tax income	\$(5.1)	\$4.3	\$(9.4)	(220.2)%
Pre-tax margin	(7.1)%	5.5%		(1260) bp
Net income*	\$(0.1)	\$3.2	\$(3.3)	(101.8)%
Net income per diluted share*	\$0.00	0.25	\$(0.25)	(100.0)%

* Net income and net income per diluted share represent the amounts attributable to Culp, Inc. common shareholders.

THIRD QUARTER 2020 HIGHLIGHTS

(\$ in millions)

Adjusted (Non-GAAP) *	Q3 FY20	Q3 FY19	Change	
			\$	%
Adjusted Operating income	\$2.4**	\$5.1***	\$(2.6)	(52.0)%
Adj Operating income margin	3.4%**	6.6%***		(320) bp
Adjusted Pre-tax income	\$2.4**	\$5.0***	\$(2.6)	(52.3)%
Adj Pre-tax margin	3.3%**	6.5%***		(320) bp

*Refer to preceding Slide 5 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation.

** These amounts exclude asset impairment charges totaling \$13.6 million relating to our home accessories segment, as well as a reversal of \$6.1 million that pertained to a reversal of a contingent earn-out obligation. See the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation for additional details.

*** These amounts exclude \$769,000 in restructuring and related charges and credits and other non-recurring items related mostly to the closure of our Anderson, SC upholstery fabrics facility. See the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation for additional details.

THIRD QUARTER 2020 YEAR TO DATE HIGHLIGHTS

(\$ in millions)

GAAP	FY20	FY19	Change	
			\$	%
Sales	\$219.5	\$225.7	\$(6.2)	(2.8)%
Operating income	\$1.6	\$10.7	\$(9.1)	(85.2)%
Operating income margin	0.7%	4.7%		(400) bp
Pre-tax income	\$1.8	\$10.5	\$(8.7)	(82.6)%
Pre-tax margin	0.8%	4.6%		(380) bp
Net income*	\$3.6	\$7.0	\$(3.4)	(49.2)%
Net income per diluted share*	\$0.29	0.56	\$(0.27)	(48.2)%

*Net income and net income per diluted share represent the amounts attributable to Culp, Inc. common shareholders.

THIRD QUARTER 2020 YEAR TO DATE HIGHLIGHTS

(\$ in millions)

Adjusted (Non-GAAP) *	FY20	FY19	Change	
			\$	%
Adjusted Operating income	\$9.1**	\$12.9***	\$(3.8)	(29.7)%
Adj Operating income margin	4.1%**	5.7%***		(160) bp
Adjusted Pre-tax income	\$9.3**	\$12.7***	\$(3.4)	(26.8)%
Adj Pre-tax margin	4.2%**	5.6%***		(140) bp

*Refer to preceding Slide 7 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation.

** These amounts exclude asset impairment charges totaling \$13.6 million associated with our home accessories segment, as well as a reversal of \$6.1 million that pertained to a reversal of a contingent earn-out obligation, and a \$70 restructuring credit related to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility. See the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation for additional details.

***These amounts exclude \$2,241 in restructuring and related charges and credits and other non-recurring items related to the closure of our Anderson, SC upholstery fabrics facility, as well as other operational reorganization costs associated with our mattress fabrics segment. See the Reconciliation of Selected Income Statement Information to the Adjusted Results at the back of this presentation for additional details.

Q3 SALES & OPERATING INCOME BRIDGES

(\$ in millions)

Sales	Change	
	\$	%
Q3 2019	\$77.2	
Mattress fabrics decrease	(2.6)	(7.4)%
Upholstery fabrics decrease	(2.1)	(5.7)%
Home Accessories decrease*	(0.5)	(11.0)%
Q3 2020	\$72.0	(6.8)%
Operating Income	Change	
	\$	%
Q3 2019	\$4.3	
Mattress fabrics decrease	(1.4)	(44.6)%
Upholstery fabrics decrease	(0.8)	(20.2)%
Home Accessories increase*	0.1	NM
Unallocated corporate expense increase	(0.6)	34.8%
Asset Impairment, Reversal of Earnout & Restructuring	(6.8)	NM
Q3 2020	\$(5.1)	(218.4)%

*This business segment is associated with a majority investment that was completed during fiscal 2019.

Q3 YTD SALES & OPERATING INCOME BRIDGES*

(\$ in millions)

Sales	Change	
	\$	%
Q3 YTD 2019	\$225.7	
Mattress fabrics decrease	(0.1)	(0.1)%
Upholstery fabrics decrease	(5.9)	(5.5)%
Home Accessories decrease**	(0.3)	(2.3)%
Q3 YTD 2020	\$219.5	(2.8)%
Operating Income	Change	
	\$	%
Q3 YTD 2019	\$10.7	
Mattress fabrics decrease	(1.2)	(13.7)%
Upholstery fabrics increase	0.3	3.7%
Home Accessories decrease**	(0.8)	NM
Unallocated corporate expense increase	(2.1)	44.4%
Asset Impairment, Reversal of Earnout & Restructuring	(5.2)	NM
Q3 YTD 2020	\$1.6	(85.2)%

*For the nine month periods ending February 2, 2020 and January 27, 2019.

**This business segment is associated with a majority investment that was completed during fiscal 2019.

FREE CASH FLOW*

(\$ in millions)

	Q3 FY20 YTD	Q3 FY19 YTD
Net income	(\$0.8)	\$7.0
Depreciation, amortization, & stock-based compensation	7.2	7.1
Deferred taxes, other	5.7	(2.9)
Gross cash flow	\$12.1	\$11.1
Cash flow from working capital and changes in others assets/liabilities	(12.6)	(3.0)
Cash flow from operations	(0.5)	\$8.1
Capital expenditures, including payments that are vendor financed	(4.1)	(4.4)
Investment in unconsolidated joint venture	(0.0)	(0.1)
Other	(0.1)	2.3
Free cash flow	(\$4.7)	\$5.9

* See reconciliation at the back of this presentation.

RETURN ON CAPITAL*

(\$ in millions)

	February 2, 2020	January 27, 2019
Return on capital:		
Mattress fabrics	14.1%	19.4%
Upholstery fabrics	53.8%	56.3%
Home Accessories	N/M	N/A
Unallocated corporate	N/A	N/A
Consolidated	8.7%	15.7%
Capital employed:		
Mattress fabrics	\$ 78.1	\$ 75.1
Upholstery fabrics	\$ 24.2	\$ 20.6
Home Accessories	\$ 3.1	\$ 3.5
Unallocated corporate	\$ 24.1	\$ 31.0
Consolidated	\$129.5	\$ 130.2

*See reconciliation at the back of this presentation.

ADJUSTED EBITDA

Reconciliation of Net Income to Adjusted EBITDA (unaudited, \$ in thousands)

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

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

OPERATING WORKING CAPITAL

(\$ in millions)

	February 2, 2020	January 27, 2019	% Change
Accounts receivable, net	\$26.6	\$26.1	1.8%
Inventories, net	57.6	55.4	3.9%
Accounts payable	(21.8)	(28.4)	(23.1)%
Accounts payable – capital expenditures	(0.2)	(0.1)	NM
Operating working capital	\$62.2	\$53.1	17.2%
Percent of sales*	21.2%	17.6%	360 bp
Days sales outstanding	33.1	30.2	9.7%
Inventory turns	4.1	4.6	(10.7)%
Days accounts payable outstanding**	32.4	41.4	(21.8)%

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

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

NET CASH, INVESTMENTS, AND EQUITY

(\$ and share amounts in millions)

	Q3 FY20	Q3 FY19	% Change
Cash and cash equivalents	\$21.9	\$26.4	(17.2)%
Short-term investments	\$10.8	\$13.5	(20.6)%
Long-term investments	\$2.2	\$0.0	100.0%
Total cash and investments	\$34.8	\$40.0	(18.4)%
Total debt	\$0.9	\$0.0	100.0%
Net cash and investments	\$33.9	\$40.0	(20.8)%
Shareholders' equity attributable to Culp, Inc.	\$159.8	\$162.8	(1.8)%
Shares outstanding	12,361	12,368	(0.1)%
Book value per share	\$12.93	\$13.16	(1.7)%

Q3 MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	Q3 FY20	Q3 FY19	Change	
			\$	%
Sales	\$33.1	\$35.7	\$(2.6)	(7.4)%
Operating income	1.8	3.2	\$(1.4)	(44.6)%
Operating income margin	5.4%	9.0%		(360) bp
Depreciation	\$1.7	\$1.8	\$(0.1)	(3.2)%

Q3 YTD MATTRESS FABRICS HIGHLIGHTS*

(\$ in millions)

	FY20	FY19	Change	
			\$	%
Sales	\$107.3	\$107.3	\$(0.1)	(0.1)%
Operating income	7.7	8.9	\$(1.2)	(13.7)%
Operating income margin	7.2%	8.3%		(110) bp
Depreciation	\$5.0	\$5.3	\$(0.3)	(4.7)%

*For the nine month periods ending February 2, 2020 and January 27, 2019.

Q3 MATTRESS FABRICS KEY POINTS

- ◆ Results were pressured more than expected from holiday shutdowns and continued industry weakness for legacy business customers; mattress covers have become an increasingly important part of our business and losing multiple productive weeks for our CLASS cover operations in Haiti and China caused a more significant impact when combined with softness in our legacy business
- ◆ Also, the anti-dumping measures relating to low-price mattress imports from China have not yet provided the relief expected for the domestic mattress industry
- ◆ Despite holiday shutdown disruption, there is continued growth in our sewn mattress cover business and demand trends remain favorable
- ◆ Efficient production and distribution platform, with plans for adding fabric production capabilities in Vietnam this calendar year and expanding sewn cover production in Haiti
- ◆ Well positioned to capture market share with imported mattresses due to strong global platform for fabrics and covers in Asia
- ◆ Continued investment in design and marketing capabilities with the latest technologies to improve the customer experience and speed to market, including recent release of digital library and 3D rendering capabilities allowing for mapping of selected fabrics to create immediate visual image of entire mattress configuration
- ◆ Enhancing service platform to be more responsive to customer demand with shorter lead times, and implementing a new inventory process to drive greater control and efficiency
- ◆ Focused on sustainability and environmental responsibility throughout our operations

Q3 UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	Q3 FY20	Q3 FY19	Change	
			\$	%
Sales	\$35.0	\$37.1	\$(2.1)	(5.7)%
Operating income	\$3.0	\$3.8	\$(0.8)	(20.2)%
Operating income margin	8.7%	10.2%		(150) bp
Depreciation	\$0.2	\$0.2	\$(0.0)	7.1%

Q3 YTD UPHOLSTERY FABRICS HIGHLIGHTS*

(\$ in millions)

	FY20	FY19	Change	
			\$	%
Sales	\$100.7	\$106.6	\$(5.9)	(5.5)%
Operating income	\$9.4	\$9.0	\$0.4	3.7%
Operating income margin	9.3%	8.5%		80 bp
Depreciation	\$0.6	\$0.6	\$(0.0)	(3.0)%

* For the nine month periods ending February 2, 2020 and January 27, 2019.

Q3 UPHOLSTERY FABRICS KEY POINTS

- ◆ Results were affected by lower sales, with a slowdown in shipments heading into the Chinese New Year holiday
- ◆ Continued to execute strategic focus of introducing new products and diversifying customer base
- ◆ Strong China platform with stable, long-term supplier relationships an important advantage for the company; this platform supports our ability to manage the current disruptions in China created by the coronavirus outbreak
- ◆ Addition of cut and sew capabilities in Vietnam toward the end of 2019 has further augmented Asia platform
- ◆ Continued growth in hospitality business, with Read Window Products as a key driver of growing sales
- ◆ Additional growth opportunities expected through expansion of product portfolio for the hospitality market
- ◆ Experienced continued growth in LiveSmart[®], our popular performance line of highly durable, stain-resistant fabrics
- ◆ Positive demand trends LiveSmart Evolve[™], our recently introduced line of sustainability fabrics featuring the use of recycled yarns along with the same stain-resistant performance

Q3 HOME ACCESSORIES HIGHLIGHTS*

(\$ in millions)

	Q3 FY20	Q3 FY19	Change	
			\$	%
Sales	\$3.9	\$4.4	(0.5)	(11.0)%
Operating income	\$(0.2)	\$(0.3)	0.1	N/M
Operating income margin	(4.6)%	(7.1)%		250 bp
Depreciation	\$0.1	\$0.1	\$0.0	N/M

*This business segment is associated with a majority investment that was completed during the first quarter of fiscal 2019.

Q3 YTD HOME ACCESSORIES HIGHLIGHTS*

(\$ in millions)

	FY20	FY19**	Change	
			\$	%
Sales	\$11.5	\$11.8	(0.3)	(2.3)%
Operating income	\$(1.1)	\$(0.3)	(0.8)	N/M
Operating income margin	(9.3)%	(2.2)%		N/M
Depreciation	\$0.3	\$0.2	\$0.1	N/M

* For the nine month periods ending February 2, 2020 and January 27, 2019. This business segment is associated with a majority investment that was completed during the first quarter of fiscal 2019.

**The first nine months of fiscal 2020 included 40 weeks, whereas the first nine months of fiscal 2019 included only 32 weeks as a result of the June 22, 2018 investment date in eLuxury.

Q3 HOME ACCESSORIES KEY POINTS

- ◆ Lower than expected sales for this segment for the third quarter, but operating loss showed meaningful sequential improvement as compared with the first and second quarters of fiscal 2020
- ◆ Have worked hard to refine strategy and drive improved results for this segment
- ◆ While it is taking longer than expected to reach initial projections for this business, encouraged by recent opportunities with new online marketplaces and business-to-business sales channels
- ◆ Remain dedicated to improving performance on Amazon, a principal sales channel for our legacy e-commerce business
- ◆ Continue to develop new products featuring Culp mattress fabrics and upholstery fabrics; pleased with solid showing of these new products at recent Las Vegas market
- ◆ Remain optimistic about potential growth opportunities and the ability to leverage this sales channel and reach new customers



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FORWARD LOOKING STATEMENTS

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

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

ABOUT NON-GAAP FINANCIAL INFORMATION

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

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

ABOUT NON-GAAP FINANCIAL INFORMATION (2)

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

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

Q3 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

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

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

Notes

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

YTD RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

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

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

Notes

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

RECONCILIATION OF FREE CASH FLOW

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

(1) Free Cash Flow reconciliation is as follows:

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

RETURN ON CAPITAL EMPLOYED BY SEGMENT

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

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

Average Capital Employed

	As of the three Months Ended February 2, 2020					As of the three Months Ended November 3, 2019					As of the three Months Ended August 4, 2019				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 88,641	42,248	7,183	72,268	210,340	\$ 84,473	42,122	7,280	97,847	231,722	\$ 83,056	40,456	6,414	94,521	224,447
Total liabilities (5)	(10,464)	(18,097)	(4,074)	(17,609)	(50,244)	(14,079)	(22,711)	(2,732)	(26,278)	(65,800)	(11,854)	(20,352)	(2,301)	(25,604)	(60,111)
Subtotal	\$ 78,177	\$ 24,151	\$ 3,109	\$ 54,659	\$ 160,096	\$ 70,394	\$ 19,411	\$ 4,548	\$ 71,569	\$ 165,922	\$ 71,202	\$ 20,104	\$ 4,113	\$ 68,917	\$ 164,336
Less:															
Cash and cash equivalents	-	-	-	(21,872)	(21,872)	-	-	-	(47,183)	(47,183)	-	-	-	(44,236)	(44,236)
Short-term investments - Held-To-Maturity	-	-	-	(3,173)	(3,173)	-	-	-	-	-	-	-	-	-	-
Short-term investments - Available for Sale	-	-	-	(7,580)	(7,580)	-	-	-	-	-	-	-	-	-	-
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	(776)	(776)	-	-	-	(776)	(776)
Long-term investments - Rabbi Trust	-	-	-	(7,804)	(7,804)	-	-	-	(7,575)	(7,575)	-	-	-	(7,347)	(7,347)
Long-term investments - Held-to Maturity	-	-	-	(2,224)	(2,224)	-	-	-	-	-	-	-	-	-	-
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	(733)	(733)	-	-	-	(733)	(733)
Deferred income taxes - non-current	-	-	-	(920)	(920)	-	-	-	(511)	(511)	-	-	-	(486)	(486)
Income taxes payable - current	-	-	-	455	455	-	-	-	1,539	1,539	-	-	-	1,116	1,116
Income taxes payable - long-term	-	-	-	3,442	3,442	-	-	-	3,442	3,442	-	-	-	3,640	3,640
Deferred income taxes - non-current	-	-	-	2,013	2,013	-	-	-	3,283	3,283	-	-	-	2,543	2,543
Subordinated loan payable	-	-	-	925	925	-	-	-	925	925	-	-	-	925	925
Deferred compensation - non-current	-	-	-	7,637	7,637	-	-	-	7,429	7,429	-	-	-	7,232	7,232
Total Capital Employed	\$ 78,177	\$ 24,151	\$ 3,109	\$ 24,051	\$ 129,488	\$ 70,394	\$ 19,411	\$ 4,548	\$ 31,409	\$ 125,762	\$ 71,202	\$ 20,104	\$ 4,113	\$ 30,795	\$ 126,214

	As of the three Months Ended April 28, 2019					As of the three Months Ended January 27, 2019				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 83,393	37,529	5,618	93,186	219,726	\$ 86,707	43,097	5,607	89,497	224,908
Total liabilities (5)	(10,996)	(18,114)	(2,215)	(24,154)	(55,479)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)
Subtotal	\$ 72,397	\$ 19,415	\$ 3,403	\$ 69,032	\$ 164,247	\$ 75,103	\$ 20,614	\$ 3,439	\$ 68,076	\$ 167,232
Less:										
Cash and cash equivalents	-	-	-	(40,008)	(40,008)	-	-	-	(26,418)	(26,418)
Short-term investments - Held-To-Maturity	-	-	-	(5,001)	(5,001)	-	-	-	(13,544)	(13,544)
Short-term investments - Available for Sale	-	-	-	-	-	-	-	-	-	-
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(7,081)	(7,081)	-	-	-	(6,834)	(6,834)
Long-term investments - Held-to Maturity	-	-	-	-	-	-	-	-	-	-
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(457)	(457)	-	-	-	(3,224)	(3,224)
Income taxes payable - current	-	-	-	1,022	1,022	-	-	-	642	642
Income taxes payable - long-term	-	-	-	3,249	3,249	-	-	-	3,294	3,294
Deferred income taxes - non-current	-	-	-	3,176	3,176	-	-	-	2,225	2,225
Subordinated loan payable	-	-	-	675	675	-	-	-	-	-
Deferred compensation - non-current	-	-	-	6,998	6,998	-	-	-	6,782	6,782
Total Capital Employed	\$ 72,397	\$ 19,415	\$ 3,403	\$ 30,096	\$ 125,311	\$ 75,103	\$ 20,614	\$ 3,439	\$ 30,999	\$ 130,155

Average Capital Employed (3)

Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
\$ 73,455	20,739	3,722	29,470	127,386

Notes:

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

RETURN ON CAPITAL EMPLOYED BY SEGMENT

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

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

Average Capital Employed

	As of the three Months Ended January 27, 2019					As of the three Months Ended October 28, 2018					As of the three Months Ended July 29, 2018				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 86,707	43,097	5,607	89,497	224,908	\$ 86,494	37,442	5,203	93,072	222,211	\$ 93,601	37,386	4,463	90,922	226,372
Total liabilities (5)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)
Subtotal	\$ 75,103	\$ 20,614	\$ 3,439	\$ 68,076	\$ 167,232	\$ 76,704	\$ 17,796	\$ 3,243	\$ 69,726	\$ 167,469	\$ 80,718	\$ 19,506	\$ 2,753	\$ 63,053	\$ 166,030
Less:															
Cash and cash equivalents	-	-	-	(26,418)	(26,418)	-	-	-	(14,768)	(14,768)	-	-	-	(8,593)	(8,593)
Short-term investments - Available-For-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments - Held-To-Maturity	-	-	-	(13,544)	(13,544)	-	-	-	(26,719)	(26,719)	-	-	-	(30,756)	(30,756)
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(6,834)	(6,834)	-	-	-	(7,851)	(7,851)	-	-	-	(7,671)	(7,671)
Deferred income taxes - non-current	-	-	-	(3,224)	(3,224)	-	-	-	(3,614)	(3,614)	-	-	-	(3,721)	(3,721)
Deferred compensation - current	-	-	-	-	-	-	-	-	714	714	-	-	-	-	-
Income taxes payable - current	-	-	-	642	642	-	-	-	2,044	2,044	-	-	-	1,244	1,244
Income taxes payable - long-term	-	-	-	3,294	3,294	-	-	-	3,233	3,233	-	-	-	3,733	3,733
Deferred income taxes - non-current	-	-	-	2,225	2,225	-	-	-	2,225	2,225	-	-	-	2,150	2,150
Line of credit	-	-	-	6,782	6,782	-	-	-	7,120	7,120	-	-	-	4,000	4,000
Deferred compensation - non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	7,679	7,679
Total Capital Employed	\$ 75,103	\$ 20,614	\$ 3,439	\$ 30,999	\$ 130,155	\$ 76,704	\$ 17,796	\$ 3,243	\$ 32,110	\$ 129,853	\$ 80,718	\$ 19,506	\$ 2,753	\$ 31,118	\$ 134,095

	As of the three Months Ended April 29, 2018					As of the three Months Ended January 28, 2018				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 95,061	39,812	-	83,111	217,984	\$ 93,827	43,458	-	79,559	216,844
Total liabilities (5)	(17,335)	(18,679)	-	(18,594)	(54,608)	(18,418)	(22,781)	-	(23,463)	(64,662)
Subtotal	\$ 77,726	\$ 21,133	\$ -	\$ 64,517	\$ 163,376	\$ 75,409	\$ 20,677	\$ -	\$ 56,096	\$ 152,182
Less:										
Cash and cash equivalents	-	-	-	(21,228)	(21,228)	-	-	-	(22,428)	(22,428)
Short-term investments - Available-For-Sale	-	-	-	(2,451)	(2,451)	-	-	-	(2,472)	(2,472)
Short-term investments - Held-To-Maturity	-	-	-	(25,759)	(25,759)	-	-	-	(17,206)	(17,206)
Long-term investments - Held-To-Maturity	-	-	-	(5,035)	(5,035)	-	-	-	(13,625)	(13,625)
Long-term investments - Rabbi Trust	-	-	-	(7,326)	(7,326)	-	-	-	(7,176)	(7,176)
Deferred income taxes - non-current	-	-	-	(1,458)	(1,458)	-	-	-	(1,942)	(1,942)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,437	1,437	-	-	-	1,580	1,580
Income taxes payable - long-term	-	-	-	3,758	3,758	-	-	-	10,940	10,940
Deferred income taxes - non-current	-	-	-	2,150	2,150	-	-	-	2,096	2,096
Line of credit	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,353	7,353	-	-	-	7,216	7,216
Total Capital Employed	\$ 77,726	\$ 21,133	\$ -	\$ 15,958	\$ 114,817	\$ 75,409	\$ 20,677	\$ -	\$ 13,079	\$ 109,165

	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 77,132	\$ 19,945	\$ 1,887	\$ 24,653	\$ 123,617

Notes:

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

CONSOLIDATED STATEMENTS OF OPERATING INCOME LTM

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

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