

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

FORM 8-K

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

Date of Report (Date of earliest event reported) June 11, 2019

**Culp, Inc.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

1-12597

(Commission File Number)

56-1001967

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

1823 Eastchester Drive  
High Point, North Carolina 27265

(Address of Principal Executive Offices)  
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

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

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

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

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

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

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This report and the exhibits attached hereto contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management’s expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “anticipate,” “estimate,” “plan” and “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. 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 13, 2018 for the fiscal year ended April 29, 2018, and our subsequent periodic reports filed with the Securities and Exchange Commission.

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

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

On June 12, 2019, we issued a news release to announce our financial results for our fourth quarter and year ended April 28, 2019. The news release is attached hereto as Exhibit 99(a).

Also, on June 12, 2019, we released a Financial Information Release containing additional financial information and disclosures about our fourth quarter and year ended April 28, 2019. The Financial Information Release is attached hereto as Exhibit 99(b).

The news release and Financial Information Release contain adjusted income statement information, a non-GAAP performance measure that reconciles reported and projected income statement information with adjusted results, which exclude restructuring and related charges and credits, other non-recurring charges, and provisional income tax adjustments associated with the Tax Cuts and Jobs Act (the Tax Act) enacted on December 22, 2017. The company has included this adjusted information in order to show operational performance excluding the effects of restructuring and related charges and credits, other non-recurring charges, and the provisional income tax adjustments associated with the Tax Act that are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the news release and Financial Information Release. Management believes this presentation aids in the comparison of financial results among comparable financial periods. In addition, this information is used by management to make operational decisions about the company’s business and is used by the company as a financial goal for purposes of determining management incentive compensation. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for income calculated in accordance with GAAP, as restructuring and related charges and credits, other non-recurring charges, and the provisional income tax adjustments associated with the Tax Act, do have an effect on our financial performance.

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

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

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

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

**(e) Compensatory Arrangements of Certain Officers**

On June 11, 2019, the Compensation Committee of the Board of Directors (the “Committee”) reviewed achievement of the applicable performance measures established under the Company’s annual incentive bonus plan for fiscal 2019, as previously described in the section titled “Consideration of Shareholder Advisory Vote and Changes for Fiscal 2019” of the Company’s Proxy Statement filed with the Securities and Exchange Commission on August 17, 2018, as well as other factors deemed relevant by the Committee, in order to determine cash bonus amounts payable to the Company’s named executive officers under the annual incentive bonus plan for fiscal 2019.

Based upon such review, the Committee determined that the target performance levels established for the entire Company and for the mattress fabrics segment were not achieved for fiscal 2019. However, in consideration of the extraordinary and unforeseen disruption and turmoil surrounding the mattress industry throughout fiscal 2019, including the significant impact of low-priced imported mattresses from China, the Committee approved the payment of discretionary cash bonuses, as permitted by Section 6.2 of the Company’s 2015 Equity Incentive Plan, for each of (i) Franklin N. Saxon, the Company’s chief executive officer, in the amount of \$44,500; (ii) Robert G. Culp, IV, the Company’s president, chief operating officer, and president, Culp Home Fashions Division, in the amount of \$28,250; and (iii) Kenneth R. Bowling, the Company’s senior vice president, chief financial officer and treasurer, in the amount of \$21,280.

**Item 9.01 (d) - Exhibits**

99(a) News Release dated June 12, 2019

99(b) Financial Information Release dated June 12, 2019

SIGNATURES

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

CULP, INC.  
(Registrant)

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

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

Dated: June 12, 2019

## EXHIBIT INDEX

Exhibit Number

Exhibit

[99\(a\)](#)

[News Release dated June 12, 2019](#)

[99\(b\)](#)

[Financial Information Release dated June 12, 2019](#)



Investor Contact:

Kenneth R. Bowling  
Chief Financial Officer  
336-881-5630

Media Contact:

Teresa A. Huffman  
Vice President, Human Resources  
336-889-5161

## **CULP ANNOUNCES RESULTS FOR FOURTH QUARTER AND FISCAL 2019**

HIGH POINT, N.C. (June 12, 2019) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the fourth quarter and fiscal year ended April 28, 2019. ‘Test’

### **Fiscal 2019 Full Year Highlights**

- Net sales were \$296.7 million, down 8.4 percent compared with the prior year, with mattress fabric sales down 24.7 percent and upholstery fabric sales up 3.5 percent over the prior year. Net sales for home accessories were \$16.0 million since the June 2018 investment in eLuxury, with no comparable prior-year sales.
- Pre-tax income was \$12.0 million, compared with \$26.9 million for fiscal 2018. Excluding restructuring and related charges and credits and other non-recurring items of approximately \$2.7 million, pre-tax income was \$14.7 million for fiscal 2019. (See reconciliation tables on page 10).
- Net income attributable to Culp, Inc. shareholders was \$5.7 million, or \$0.45 per diluted share, compared with net income of \$20.9 million, or \$1.65 per diluted share, for fiscal 2018. (See additional discussion on tax impact for the year on page 2).
- Return on capital was 12 percent, compared with 25 percent in fiscal 2018. (See reconciliation tables on pages 11-12).
- Cash flow from operations was \$13.9 million, with free cash flow of \$11.5 million for the year, after spending \$4.8 million in capital expenditures, including vendor-financed payments and investments in Haiti. (See reconciliation tables on page 8).
- The company’s financial position as of the end of fiscal 2019 reflected a \$675 thousand note payable and total cash and investments of \$45.0 million, compared with \$54.5 million at the end of fiscal 2018. (See summary of cash and investments table on page 7).
- The company paid \$4.7 million in dividends and \$3.3 million in share repurchases.

### **Fiscal 2019 Fourth Quarter Highlights**

- Net sales were \$71.0 million, down 9.2 percent over the prior-year period, with mattress fabric sales down 18.9 percent and upholstery fabric sales down 8.3 percent compared with the fourth quarter last year. Net sales for home accessories were \$4.2 million, with no comparable prior-year sales.
- Pre-tax income was \$1.5 million, compared with \$6.5 million in the fourth quarter of fiscal 2018. Excluding a non-recurring charge of \$500,000, pre-tax income was \$2.0 million for the fourth quarter of 2019. (See reconciliation table on page 9).
- Net loss attributable to Culp, Inc. shareholders was \$1.4 million, or \$0.11 per diluted share, compared with net income of \$12.7 million, or \$1.00 per diluted share, in the prior-year period. This net loss was attributable to a 199.7 percent tax rate for the quarter. (See additional discussion on taxes on page 2).
- The company announced a quarterly cash dividend of \$0.10 per share, payable in July 2019.

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## Financial Outlook

- The projection for first quarter fiscal 2020, which will have one more week as compared to the prior year period, is for overall sales to be slightly higher as compared to the first quarter of fiscal 2019. Pre-tax income for the first quarter of fiscal 2020 is expected to be in the range of \$2.5 million to \$3.2 million. Pre-tax income for the first quarter of fiscal 2019 was \$1.9 million, which included \$2.0 million in restructuring and related charges.

## Fourth Quarter and Fiscal 2019 Financial Results

For the fourth quarter ended April 28, 2019, net sales were \$71.0 million, compared with \$78.2 million a year ago. On a pre-tax basis, the company reported income of \$1.5 million, compared with pre-tax income of \$6.5 million for the fourth quarter of fiscal 2018. The financial results for the fourth quarter of fiscal 2019 included a non-recurring charge of \$500,000 for the company's charitable contribution to the University of North Carolina at Chapel Hill, payable over a period of three years, in honor of its co-founder and former chairman, Robert G. Culp, III. Excluding this charge, pre-tax income for the fourth quarter of fiscal 2019 was \$2.0 million. The company reported a net loss attributable to Culp, Inc. shareholders of \$1.4 million, or \$0.11 per diluted share, for the fourth quarter of fiscal 2019, compared with net income of \$12.7 million, or \$1.00 per diluted share, for the fourth quarter of fiscal 2018.

Net sales for fiscal 2019 were \$296.7 million, compared with net sales of \$323.7 million in fiscal 2018. On a pre-tax basis, the company reported income of \$12.0 million for fiscal 2019, compared with pre-tax income of \$26.9 million in fiscal 2018. Excluding restructuring and related charges and credits and other non-recurring items of approximately \$2.7 million, pre-tax income was \$14.7 million for fiscal 2019. Net income attributable to Culp, Inc. shareholders for fiscal 2019 was \$5.7 million, or \$0.45 per diluted share, compared with \$20.9 million, or \$1.65 per diluted share, in fiscal 2018.

Income taxes for the fourth quarter of fiscal 2019 reflect the mix of the company's taxable income favoring its foreign tax jurisdictions located in Canada and China that have higher income tax rates in relation to the U.S., and a significant decline in U.S. taxable income, which was more than anticipated. This resulted in a significant increase in the company's Global Intangible Low Taxed Income (GILTI) Tax and led to a 199.7 percent tax rate. However, income taxes incurred in the U.S. on a cash basis were minimal due to the utilization of the company's U.S. Federal net operating loss carryforward generated in fiscal 2019. Additionally, income taxes reflect provisional adjustments that represented the income tax effects of the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017. No provisional adjustments associated with the TCJA were recorded in the fourth quarter of fiscal 2019, while such provisional adjustments resulted in an income tax benefit totaling \$8.0 million that was recorded in fourth quarter of fiscal 2018. The company's income taxes for the full fiscal year of 2019 included an income tax benefit of \$550,000, compared with an income tax benefit of \$2.1 million that was associated with provisional adjustments pursuant to the TCJA for the annual period of fiscal 2018.

## Overview

Commenting on the results, Frank Saxon, chairman and chief executive officer of Culp, Inc., said, "We faced a number of significant challenges in the fourth quarter, primarily related to global trade disruption and an overall weaker retail environment. There were continuing headwinds associated with low-priced imported mattresses from China, and the excess supply of these mattresses disrupted the market and affected many of our customers. The outcome for Culp was reduced demand for our mattress fabrics and sewn covers. Our upholstery fabrics business was affected by the softer retail environment for home furnishings and uncertainties surrounding international tariffs and the associated geopolitical risks. However, even with the lower sales for the fourth quarter, we were pleased to have another year of overall higher annual sales for the upholstery fabrics segment. These results included the first full-year sales contribution from Read Window Products ("RWP"), which we acquired late in fiscal 2018.

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“In spite of the challenging market conditions, throughout fiscal 2019, we continued to execute our product-driven strategy in each of our business segments, with a relentless focus on design creativity and product innovation. Our ability to offer a diverse product mix and reach new market segments has been a key differentiator for Culp in all of our marketplaces and will remain our strategic focus going forward. We will continue to diversify both our product and customer mix in mattress and upholstery fabrics, with unique opportunities to expand in the hospitality market. We also have the ability to extend our market reach through Culp Home Accessories, our finished products business offering bedding accessories and home goods direct to both consumers and businesses. We have a flexible, global platform to support our business segments, with the ability to respond to changing demand as market conditions improve. And, importantly, we have a strong balance sheet and the financial flexibility to pursue our growth strategy. We look forward to the opportunities ahead for Culp in fiscal 2020. Additionally, we believe the May 29, 2019, ruling by the U.S. Department of Commerce imposing punitive anti-dumping duties on Chinese-made mattresses will provide relief for the domestic mattress industry in fiscal 2020 and ultimately lead to improving conditions for our business,” added Saxon.

### **Mattress Fabrics Segment**

Sales for this segment were \$37.7 million for the fourth quarter, down 18.9 percent compared with sales of \$46.5 million in the fourth quarter of fiscal 2018. For fiscal 2019, mattress fabric sales were \$145.1 million, down 24.7 percent compared with \$192.6 million in fiscal 2018.

Iv Culp, president and chief operating officer of Culp, stated, “While we saw sequential sales improvement in our mattress fabrics business compared to the third quarter of fiscal 2019, the influx of low-priced mattresses from China has continued to affect the domestic mattress industry. The market is still dealing with a significant amount of excess inventory of late 2018 and early 2019 imports, and a slower retail environment delayed the sale of these products. As we previously announced in our May 1, 2019, press release, customer demand for our mattress fabrics was lower than expected and affected our sales for the fourth quarter. However, we are pleased to note some recent positive developments in retail demand, as well as many customers altering their supply chains away from China. We believe the punitive anti-dumping measures against Chinese-made mattresses, as recently announced by the U.S. Department of Commerce in its May ruling, will ultimately provide relief for the domestic mattress industry, with preliminary imposed duties from 39 percent to as high as 1,731 percent.

“Despite the headwinds, we continue to manage our business in an efficient manner and provide excellent service to our customers. We have rationalized our manufacturing operations to meet current and expected demand and have achieved sound profitability in spite of the ongoing challenges. Importantly, we have a sustainable business platform that favorably positions Culp for the long term. We will continue to reinvest in our business to maximize our operating efficiencies and delivery capabilities.

“Our varied product mix of mattress fabrics and sewn covers across most price points and style trends supports our diversification strategy with favorable results. Importantly, CLASS, our mattress cover business, continues to perform well with the support of our global sewing platform. We remain encouraged by the sales trends with our core customers, as well as our ability to reach new customers and additional market segments like the popular and expanding boxed bedding space. We are excited about the growth opportunities for CLASS as we broaden our customer base.”

Culp added, “While fiscal 2019 was a challenging year for our mattress fabrics business, we are optimistic about the year ahead. We have the ability to leverage our creative designs, innovative products, and global production capabilities to enhance our leadership position and sustain Culp’s competitive advantage. We look forward to the opportunities ahead for our mattress fabrics business in fiscal 2020 and beyond.”

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### **Upholstery Fabrics Segment**

Sales for this segment were \$29.0 million for the fourth quarter, down 8.3 percent compared with sales of \$31.7 million in the fourth quarter of fiscal 2018. For fiscal 2019, upholstery fabric sales were \$135.7 million, up 3.5 percent compared with \$131.1 million in fiscal 2018.

“Our results for the fourth quarter of fiscal 2019 reflect an uncertain marketplace and a soft retail environment for home furnishings,” said Boyd Chumbley, president of Culp’s upholstery fabrics division. “As noted in our May press release, sales and profits were lower than our originally announced expectations for the fourth quarter. The ongoing trade dispute between the U.S. and China and uncertainties surrounding tariffs have caused significant disruptions throughout the supply chain for the furniture industry. The anticipation of additional tariffs resulted in more advance customer purchases in previous quarters and inflated inventories heading into the fourth quarter. This factor, combined with generally weaker consumer demand for furniture, affected our sales for the fourth quarter.

“For the full year, we were pleased to achieve another year of higher annual sales in spite of the closure of our Anderson, South Carolina, operation in the second quarter and the challenges in the fourth quarter of fiscal 2019. Throughout the year, we pursued a product-driven strategy with a sustained focus on innovation and creative designs, supported by our substantial global platform. Our design team has done an outstanding job with current style trends and meeting the changing demands of our customers. Additionally, our popular and expanding line of highly durable, stain-resistant, ‘performance fabrics’ continued to gain acceptance in the marketplace. We are also pleased with the contribution from RWP, as fiscal 2019 marked the first full year of sales for custom window treatments and other products for the hospitality market.”

In closing, Chumbley noted, “Looking ahead, we expect the prevailing geopolitical issues will continue to affect our business and the furniture industry. We are taking steps to adjust our supply chains, including partnering with sources for cut and sew kits in Vietnam, and are working with customers to make necessary adjustments in response to the latest round of tariffs. While we expect continued overall softness in retail demand for furniture through the first quarter of fiscal 2020, we believe Culp is well positioned for the long term. Above all, we remain focused on providing innovative products that meet the changing demands of our valued customers.”

### **Culp Home Accessories Segment**

Sales for this segment, which includes the operation of eLuxury, Culp’s e-commerce and finished products business offering bedding accessories and home goods, totaled \$4.2 million for the fourth quarter. These sales are comparable to the third quarter. For the period since the June 2018 investment date in eLuxury, sales were \$16.0 million. There are no prior-year comparable sales for the fourth quarter or year-to-date periods.

Commenting on the results, Culp stated, “We are continuing to learn about and develop this new platform, which supports both business-to-consumer and business-to-business sales of finished bedding accessory and home good products. Our operating results were lower than expected due to additional product roll-out costs and reduced demand for legacy products, primarily mattress pads. We believe this legacy business was affected by the import turmoil in the overall mattress industry. However, we are encouraged by more recent sales trends on legacy products, as well as our progress related to new product introductions. We remain excited about and committed to opportunities to capitalize on new products and this new sales channel for Culp.”

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## **Balance Sheet**

“We are pleased to end fiscal 2019 with a strong financial position,” added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. “As of April 28, 2019, we reported \$45.0 million in cash and investments and a \$675 thousand note payable. We have maintained this strong position despite spending \$4.8 million for capital expenditures, including vendor-financed payments and investments in Haiti, funding \$12.1 million in acquisition-related costs and returning \$8.1 million to shareholders in regular dividends and share repurchases. In spite of the ongoing challenges for the year, we generated cash flow from operations of \$13.9 million in fiscal 2019 and free cash flow of \$11.5 million for the year.”

## **Dividends and Share Repurchases**

The company announced that its Board of Directors has approved the payment of the company’s quarterly cash dividend of \$0.10 per share. The dividend is to be paid on or about July 16, 2019, to shareholders of record as of July 5, 2019.

The company repurchased a small number of shares in the fourth quarter. For fiscal 2019, Culp repurchased approximately 160,000 shares, leaving \$1.7 million available under the share repurchase program approved by the Board in June 2016.

Since June 2011, and including the July dividend, the company will have returned approximately \$65.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

## **Financial Outlook for First Quarter Fiscal 2020**

Commenting on the outlook for the first quarter of fiscal 2020, Bowling said, “At this time, we expect overall sales to be slightly higher as compared with the first quarter of fiscal 2019. The first quarter of fiscal 2020 will have one more week than the first quarter of the prior year, or 14 weeks compared with 13 weeks.

“We expect mattress fabrics sales to be moderately up compared with the first quarter of fiscal 2019, and operating income and margins also are expected to be moderately up as compared with the previous year’s first quarter.

“In our upholstery fabrics segment, we expect first quarter sales to be moderately down compared with the first quarter of last year as we continue to operate in an environment of trade uncertainty and soft retail demand. Operating income and margins are also expected to be moderately down compared with the same period a year ago.

“In our home accessories segment, we expect first quarter sales to be moderately up compared with the fourth quarter of fiscal 2019, with no full period of comparison for the first quarter of fiscal 2019 based on the June 22, 2018, investment date for eLuxury. We expect an operating loss for the first quarter that is comparable to the fourth quarter of fiscal 2019.

“Considering these factors, the company expects to report pre-tax income for the first fiscal quarter of 2020 in the range of \$2.5 million to \$3.2 million. Pre-tax income for last year’s first quarter was \$1.9 million, which included \$2.0 million in restructuring and related charges.

“Based on our current projection, capital expenditures for fiscal 2020 are expected to be in the \$6.5 million to \$7.0 million range, as we continue with a maintenance level of capital expenditures,” added Bowling.

## **About the Company**

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

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*This release contains “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management’s expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “anticipate,” “estimate,” “plan” and “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. 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 13, 2018 for the fiscal year ended April 29, 2018, and our subsequent periodic reports filed with the Securities and Exchange Commission.*

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

	<b>Three Months Ended</b>		<b>Fiscal Year Ended</b>	
	<b>April 28, 2019</b>	<b>April 29, 2018</b>	<b>April 28, 2019</b>	<b>April 29, 2018</b>
Net sales	\$ 70,963,000	\$ 78,184,000	\$ 296,669,000	\$ 323,725,000
Income before income taxes	\$ 1,511,000	\$ 6,466,000	\$ 11,996,000	\$ 26,883,000
Net income (loss) attributable to Culp, Inc.	\$ (1,368,000)	\$ 12,666,000	\$ 5,676,000	\$ 20,877,000
Net income (loss) attributable to Culp, Inc. per share:				
Basic	\$ (0.11)	\$ 1.02	\$ 0.46	\$ 1.68
Diluted	\$ (0.11)	\$ 1.00	\$ 0.45	\$ 1.65
Average shares outstanding:				
Basic	12,384,000	12,450,000	12,462,000	12,431,000
Diluted	12,384,000	12,611,000	12,548,000	12,633,000

**CULP, INC.**  
**Summary of Cash and Investments**  
**April 28, 2019 and April 29, 2018**  
(Unaudited)  
(Amounts in Thousands)

	<b>Amounts</b>	
	<b>April 28, 2019</b>	<b>April 29, 2018 *</b>
Cash and cash equivalents	\$ 40,008	\$ 21,228
Short-term investments - Available for Sale	-	2,451
Short-term investments - Held-To-Maturity	5,001	25,759
Long-term investments - Held-To-Maturity	-	5,035
Total cash and investments	<u>\$ 45,009</u>	<u>\$ 54,473</u>

\*Derived from audited financial statements.

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**CULP, INC.**  
**Reconciliation of Free Cash Flow**  
**For the Twelve Months Ended April 28, 2019, and April 29, 2018**  
**(Unaudited)**  
*(Amounts in thousands)*

	<b>Twelve Months Ended April 28, 2019</b>	<b>Twelve Months Ended April 29, 2018</b>
Net cash provided by operating activities	\$ 13,873	\$ 27,473
Minus: Capital Expenditures	(3,261)	(8,005)
Plus: Proceeds from the sale of property, plant and equipment	1,894	6
Minus: Investment in unconsolidated joint venture	(120)	(661)
Minus: Payments on vendor-financed capital expenditures	(1,412)	(3,750)
Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	1,233	57
Minus: Purchase of long-term investments (Rabbi Trust)	(1,011)	(1,902)
Plus: Proceeds from life insurance policy	394	-
Minus: Premium payment on life insurance policy	-	(18)
Effect of exchange rate changes on cash and cash equivalents	(93)	(85)
Free Cash Flow	<u>\$ 11,497</u>	<u>\$ 13,285</u>

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**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Three Months Ended April 28, 2019**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported April 28, 2019</b>	<b>Adjustments</b>	<b>April 28, 2019 Adjusted Results</b>
Gross Profit	\$ 12,189	\$ -	\$ 12,189
Selling, general, and administrative expenses	10,230	-	10,230
Income from operations	1,959	-	1,959
Other expense (1)	658	(500)	158
Income before income taxes	1,511	500	2,011
Income taxes	3,017	-	3,017
Net loss	(1,511)	-	(1,511)
Net loss attributable to non-controlling interest	143	-	143
Net loss attributable to Culp Inc. common shareholders	<u>\$ (1,368)</u>	<u>\$ -</u>	<u>\$ (1,368)</u>

- (1) Other expense for the three-month period ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.

**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Three Months Ended April 29, 2018**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported April 29, 2018</b>	<b>Adjustments</b>	<b>April 29, 2018 Adjusted Results</b>
Gross Profit	\$ 14,760	\$ -	\$ 14,760
Selling, general, and administrative expenses	8,296	-	8,296
Income from operations	6,464	-	6,464
Other expense	115	-	115
Income before income taxes	6,466	-	6,466
Income taxes (1)	(6,217)	7,988	1,771
Net income	<u>\$ 12,666</u>	<u>\$ (7,988)</u>	<u>\$ 4,678</u>

- (1) Income taxes for the three-month period ending April 29, 2018, include provisional adjustments that represent the income tax effects of the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, of which an income tax benefit of \$9.1 million pertains to a reduction in our U.S. Federal income tax rate pursuant to the TCJA on the effective settlement on an IRS exam and the mandatory repatriation of undistributed earnings and profits associated with our foreign subsidiaries, partially offset by a \$1.1 million charge that relates the revaluation of our U.S. deferred income taxes as a result of the reduction in our annual effective income tax rate pursuant to the TCJA.

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**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Twelve Months Ended April 28, 2019**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported April 28, 2019</b>	<b>Adjustments</b>	<b>April 28, 2019 Adjusted Results</b>
Gross Profit <sup>(1)</sup>	\$ 50,198	\$ 2,508	\$ 52,706
Selling, general, and administrative expenses <sup>(3)</sup>	38,405	(558)	37,847
Restructuring credit <sup>(2)</sup>	(825)	825	-
Income from operations	12,618	2,241	14,859
Other expense <sup>(4)</sup>	1,346	(500)	846
Income before income taxes	11,996	2,741	14,737
Income taxes <sup>(5)</sup>	6,424	550	6,974
Net income	5,458	(550)	4,908
Net loss attributable to non-controlling interest	218	-	218
Net income attributable to Culp Inc. common shareholders	<u>\$ 5,676</u>	<u>\$ (550)</u>	<u>\$ 5,126</u>

- (1) The \$2.5 million represents a restructuring related charge of \$1.6 million for inventory markdowns and \$784 for other operating costs associated with our closed Anderson, SC upholstery fabrics plant facility and \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (2) The \$825 restructuring credit represents a \$1.5 million gain on the sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics plant facility, partially offset by a charge of \$661 for employee termination benefits.
- (3) The \$558 consists of a non-recurring charge totaling \$469 that was associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge associated with our closed Anderson, SC upholstery fabrics plant facility. Additionally, the \$558 consists of a non-recurring charge of \$89 for employee termination benefits and operational reorganization costs associated with our mattress fabrics segment.
- (4) Other expense for the year ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.
- (5) Amount represents provisional adjustments associated with the TCJA enacted on December 22, 2017.

**CULP, INC.**  
**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Twelve Months Ended April 29, 2018**  
**(Unaudited)**

<i>(Amounts in Thousands)</i>	<b>As Reported April 29, 2018</b>	<b>Adjustments</b>	<b>April 29, 2018 Adjusted Results</b>
Gross Profit	\$ 64,633	\$ -	\$ 64,633
Selling, general, and administrative expenses	37,172	-	37,172
Income from operations	27,461	-	27,461
Other expense	1,018	-	1,018
Income before income taxes	26,883	-	26,883
Income taxes <sup>(1)</sup>	5,740	2,049	7,789
Net Income	<u>\$ 20,877</u>	<u>\$ (2,049)</u>	<u>\$ 18,828</u>

- (1) Amount represents provisional adjustments associated with the TCJA enacted on December 22, 2017.

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**CULP, INC.**  
**Reconciliation of Return on Capital Employed**  
**For the Twelve Months Ended April 28, 2019**  
**(Unaudited)**  
*(Amounts in thousands)*

	<b>Twelve Months Ended April 28, 2019</b>
Consolidated income from operations <sup>(1)</sup>	\$ 14,859
Average capital employed <sup>(3)</sup>	126,846
Return on average capital employed <sup>(2)</sup>	<u>11.7%</u>

Average capital employed

	<b>April 28, 2019</b>	<b>January 27, 2019</b>	<b>October 28, 2018</b>	<b>July 29, 2018</b>	<b>April 29, 2018</b>
Total assets	\$ 219,726	\$ 224,908	\$ 222,211	\$ 226,372	\$ 217,984
Total liabilities	(55,479)	(57,676)	(54,742)	(60,342)	(54,608)
Subtotal	\$ 164,247	\$ 167,232	\$ 167,469	\$ 166,030	\$ 163,376
Less:					
Cash and cash equivalents	(40,008)	(26,418)	(14,768)	(8,593)	(21,228)
Short-term investments - Available for Sale	-	-	-	-	(2,451)
Short-term investments - Held-to-Maturity	(5,001)	(13,544)	(26,719)	(30,756)	(25,759)
Current income taxes receivable	(776)	-	-	-	-
Long-term investments - Held-to-Maturity	-	-	-	-	(5,035)
Long-term investments - Rabbi Trust	(7,081)	(6,834)	(7,851)	(7,671)	(7,326)
Noncurrent income taxes receivable	(733)	-	-	-	-
Deferred income taxes - non-current	(457)	(3,224)	(3,614)	(3,721)	(1,458)
Deferred compensation – current	-	-	714	-	-
Income taxes payable - current	1,022	642	2,044	1,244	1,437
Income taxes payable - long-term	3,249	3,294	3,233	3,733	3,758
Deferred income taxes - non-current	3,176	2,225	2,225	2,150	2,150
Line of credit	-	-	-	4,000	-
Related party – note payable	675	-	-	-	-
Deferred compensation – non-current	6,998	6,782	7,120	7,679	7,353
Total Capital Employed	\$ 125,311	\$ 130,155	\$ 129,853	\$ 134,095	\$ 114,817
Average capital employed <sup>(3)</sup>	\$ 126,846				

(1) See Reconciliation of Selected Income Statement Information to Adjusted Results on page 10 for calculation of the last twelve months of operating income as of April 28, 2019.

(2) Return on average capital employed represents the last twelve months operating income as of April 28, 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 receivable and payable, line of credit, related party – note payable, and current and noncurrent deferred compensation.

(3) Average capital employed used for the twelve months ending April 28, 2019 was computed using the five quarterly periods ending April 28, 2019, January 27, 2019, October 28, 2018, July 29, 2018, and April 29, 2018.

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**CULP, INC.**  
**Reconciliation of Return on Capital Employed**  
**For the Twelve Months Ended April 29, 2018**  
**(Unaudited)**  
*(Amounts in thousands)*

	<b>Twelve Months Ended April 29, 2018</b>
Consolidated income from operations <sup>(1)</sup>	\$ 27,461
Average capital employed <sup>(3)</sup>	108,001
Return on average capital employed <sup>(2)</sup>	25.4%

Average capital employed

	<b>April 29, 2018</b>	<b>January 28, 2018</b>	<b>October 29, 2017</b>	<b>July 30, 2017</b>	<b>April 30, 2017</b>
Total assets	\$ 217,984	\$ 216,844	\$ 201,043	\$ 207,904	\$ 205,634
Total liabilities	(54,608)	(64,662)	(47,963)	(58,227)	(57,004)
Subtotal	\$ 163,376	\$ 152,182	\$ 153,080	\$ 149,677	\$ 148,630
Less:					
Cash and cash equivalents	(21,228)	(22,428)	(15,739)	(18,322)	(20,795)
Short-term investments - Available for Sale	(2,451)	(2,472)	(2,478)	(2,469)	(2,443)
Short-term investments - Held-to-Maturity	(25,759)	(17,206)	(4,015)	-	-
Long-term investments - Held-To-Maturity	(5,035)	(13,625)	(26,853)	(30,907)	(30,945)
Long-term investments - Rabbi Trust	(7,326)	(7,176)	(6,921)	(6,714)	(5,466)
Deferred income taxes - non-current	(1,458)	(1,942)	(491)	(436)	(419)
Income taxes payable - current	1,437	1,580	692	884	287
Income taxes payable - long-term	3,758	10,940	487	487	467
Deferred income taxes - non-current	2,150	2,096	4,641	4,253	3,593
Line of credit	-	-	-	5,000	-
Deferred compensation	7,353	7,216	6,970	6,769	5,520
Total capital employed	\$ 114,817	\$ 109,165	\$ 109,373	\$ 108,222	\$ 98,429
Average Capital Employed <sup>(2)</sup>	\$ 108,001				

(1) See Reconciliation of Selected Income Statement Information to Adjusted Results on page 10 for calculation of the last twelve months of operating income as of April 29, 2018.

(2) Return on average capital employed represents the last twelve months operating income as of April 29, 2018 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 deferred compensation.

(3) Average capital employed used for the twelve months ending April 29, 2018 was computed using the five quarterly periods ending April 29, 2018, January 28, 2018, October 29, 2017, July 30, 2017, and April 30, 2017.

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET (LOSS) INCOME**  
**FOR THREE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>THREE MONTHS ENDED</b>					
	(4)	Amounts	(4)	Percent of Sales		
	April 28, 2019		April 29, 2018	% Over (Under)	April 28, 2019	April 29, 2018
Net sales	<b>\$ 70,963</b>		78,184	(9.2)%	<b>100.0%</b>	100.0%
Cost of sales	<b>58,774</b>		63,424	(7.3)%	<b>82.8%</b>	81.1%
Gross profit	<b>12,189</b>		14,760	(17.4)%	<b>17.2%</b>	18.9%
Selling, general and administrative expenses	<b>10,230</b>		8,296	23.3%	<b>14.4%</b>	10.6%
Income from operations	<b>1,959</b>		6,464	(69.7)%	<b>2.8%</b>	8.3%
Interest expense	<b>4</b>		26	(84.6)%	<b>0.0%</b>	0.0%
Interest income	<b>(214)</b>		(143)	49.7%	<b>(0.3)%</b>	(0.2)%
Other expense	<b>(1) 658</b>		115	472.2%	<b>0.9%</b>	0.1%
Income before income taxes	<b>1,511</b>		6,466	(76.6)%	<b>2.1%</b>	8.3%
Income tax expense (benefit)*	<b>(3) 3,017</b>	(2)	(6,217)	N.M.	<b>199.7%</b>	(96.1)%
Loss from investment in unconsolidated joint venture	<b>5</b>		17	(70.6)%	<b>0.0%</b>	0.0%
Net (loss) income	<b>(1,511)</b>		12,666	(111.9)%	<b>(2.1)%</b>	16.2%
Plus: Net loss attributable to non-controlling interest	<b>143</b>		-	100.0%	<b>0.2%</b>	0.0%
Net (loss) income attributable to Culp Inc. common shareholders	<b>\$ (1,368)</b>		12,666	(110.8)%	<b>(1.9)%</b>	16.2%
Net (loss) income attributable to Culp Inc. common shareholders per share - basic	<b>\$ (0.11)</b>		\$ 1.02	(110.8)%		
Net (loss) income attributable to Culp Inc. common shareholders per share - diluted	<b>\$ (0.11)</b>		\$ 1.00	(111.0)%		
Average shares outstanding-basic	<b>12,384</b>		12,450	(0.5)%		
Average shares outstanding-diluted	<b>12,384</b>		12,611	(1.8)%		

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

**Notes**

- (1) Other expense for the three-month period ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.
- (2) Income taxes for the three-month period ending April 29, 2018, includes a provisional income tax benefit adjustment totaling \$8.0 million that represents the income tax effects of the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017.
- (3) No provisional adjustments associated with the TCJA were recorded for the three-month period ending April 28, 2019. Income taxes for the three-month period ending April 28, 2019, reflect the mix of income before income taxes favoring our foreign tax jurisdictions located in Canada and China that have higher income tax rates in relation to the U.S., and the significant decline in our U.S. income before income taxes, which was more than anticipated during our fourth quarter of fiscal 2019, resulting in a significant increase in our Global Intangible Low Taxed Income Tax. However, income taxes incurred in the U.S. on a cash basis were not significant due to the utilization of our U.S. Federal net operating loss carryforward generated in fiscal 2019.
- (4) See page 8 of our reconciliation of selected income statement information to adjusted results for the three-month periods April 28, 2019 and April 29, 2018, that exclude the adjustments noted in the footnotes above.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	TWELVE MONTHS ENDED					
	(7)	Amounts	(7)	% Over (Under)	Percent of Sales	
	April 28, 2019		April 29, 2018		April 28, 2019	April 29, 2018
Net sales	\$ 296,669		323,725	(8.4)%	100.0%	100.0%
Cost of sales	(1) (3) 246,471		259,092	(4.9)%	83.1%	80.0%
Gross profit	50,198		64,633	(22.3)%	16.9%	20.0%
Selling, general and administrative expenses	(3) (4) 38,405		37,172	3.3%	12.9%	11.5%
Restructuring credit	(2) (825)		-	100.0%	(0.3)%	0.0%
Income from operations	12,618		27,461	(54.1)%	4.3%	8.5%
Interest expense	42		94	(55.3)%	0.0%	0.0%
Interest income	(766)		(534)	43.4%	(0.3)%	(0.2)%
Other expense	(5) 1,346		1,018	32.2%	0.5%	0.3%
Income before income taxes	11,996		26,883	(55.4)%	4.0%	8.3%
Income tax expense*	(6) 6,424	(6)	5,740	11.9%	53.6%	21.4%
Loss from investment in unconsolidated joint venture	114		266	(57.1)%	0.0%	0.1%
Net income	5,458		20,877	(73.9)%	1.8%	6.4%
Plus: Net loss attributable to non-controlling interest	218		-	100.0%	0.1%	0.0%
Net income attributable to Culp Inc. common shareholders	\$ 5,676		20,877	(72.8)%	1.9%	6.4%
Net income attributable to Culp Inc. common shareholders per share - basic	\$ 0.46		\$ 1.68	(72.6)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.45		\$ 1.65	(72.7)%		
Average shares outstanding-basic	12,462		12,431	0.2%		
Average shares outstanding-diluted	12,548		12,633	(0.7)%		

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

## Notes

- (1) Cost of sales for the year ending April 28, 2019, includes restructuring related charges totaling \$2.3 million, of which \$1.6 million pertains to inventory markdowns and \$784 pertains to operating costs associated with our closed upholstery fabrics plant facility located in Anderson, SC.
- (2) The \$825 restructuring credit represents a \$1.5 million gain on the sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics plant facility, partially offset by a charge of \$661 for employee termination benefits.
- (3) During the year ending April 28, 2019, our mattress fabrics segment incurred non-recurring charges totaling \$249 that pertained to employee termination benefits and other operational reorganization costs. Of the \$249 total non-recurring charge, \$159 and \$90 were recorded in cost of sales and selling, general, and administrative expenses, respectively.
- (4) Selling, general, and administrative expenses for year ending April 28, 2019, includes a \$469 non-recurring charge associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge associated with our closed Anderson, SC upholstery fabrics plant facility.
- (5) Other expense for the year ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.
- (6) Income taxes for the year ending April 28, 2019 and April 29, 2018, include provisional adjustments related to the TCJA enacted on December 22, 2017. We recorded an income tax benefit of \$550 and \$2.1 million for the year ending April 28, 2019 and April 29, 2018, respectively.
- (7) See page 9 for our reconciliation of selected income statement information to adjusted results for the year ending April 28, 2019 and April 29, 2018, that exclude the adjustments noted in the footnotes above.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**APRIL 28, 2019 AND APRIL 29, 2018**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>Amounts</b>		<b>Increase</b>	
	<b>(Condensed)</b>		<b>(Decrease)</b>	
	<b>April 28,</b>	<b>* April 29,</b>	<b>Dollars</b>	<b>Percent</b>
	<b>2019</b>	<b>2018</b>		
<b>Current assets</b>				
Cash and cash equivalents	\$ 40,008	21,228	18,780	88.5%
Short-term investments - Available for Sale	-	2,451	(2,451)	(100.0)%
Short-term investments - Held-To-Maturity	5,001	25,759	(20,758)	(80.6)%
Accounts receivable	23,751	26,307	(2,556)	(9.7)%
Inventories	50,860	53,454	(2,594)	(4.9)%
Current income taxes receivable	776	-	776	100.0%
Other current assets	2,849	2,870	(21)	(0.7)%
Total current assets	<b>123,245</b>	<b>132,069</b>	<b>(8,824)</b>	<b>(6.7)%</b>
Property, plant & equipment, net	48,389	51,794	(3,405)	(6.6)%
Goodwill	27,222	13,569	13,653	100.6%
Intangible assets	10,448	4,275	6,173	144.4%
Deferred income taxes	457	1,458	(1,001)	(68.7)%
Long-term Investments - Held-To-Maturity	-	5,035	(5,035)	(100.0)%
Long-term Investments - Rabbi Trust	7,081	7,326	(245)	(3.3)%
Noncurrent income taxes receivable	733	-	733	100.0%
Investment in unconsolidated joint venture	1,508	1,501	7	0.5%
Other assets	643	957	(314)	(32.8)%
Total assets	<b>\$ 219,726</b>	<b>217,984</b>	<b>1,742</b>	<b>0.8%</b>
<b>Current liabilities</b>				
Accounts payable - trade	\$ 24,377	27,237	(2,860)	(10.5)%
Accounts payable - capital expenditures	78	1,776	(1,698)	(95.6)%
Deferred revenue	399	809	(410)	(50.7)%
Accrued expenses	9,192	9,325	(133)	(1.4)%
Accrued restructuring costs	124	-	124	100.0%
Income taxes payable - current	1,022	1,437	(415)	(28.9)%
Total current liabilities	<b>35,192</b>	<b>40,584</b>	<b>(5,392)</b>	<b>(13.3)%</b>
Accrued expenses - long-term	333	763	(430)	(56.4)%
Related Party - Note Payable	675	-	675	100.0%
Contingent consideration - Earn-Out Obligation	5,856	-	5,856	100.0%
Income taxes payable - long-term	3,249	3,758	(509)	(13.5)%
Deferred income taxes	3,176	2,150	1,026	47.7%
Deferred compensation	6,998	7,353	(355)	(4.8)%
Total liabilities	<b>55,479</b>	<b>54,608</b>	<b>871</b>	<b>1.6%</b>
<b>Shareholders' equity</b>				
Shareholders' equity attributable to Culp Inc.	159,933	163,376	(3,443)	(2.1)%
Non-controlling interest	4,314	-	4,314	100.0%
Total liabilities and shareholders' equity	<b>\$ 219,726</b>	<b>217,984</b>	<b>1,742</b>	<b>0.8%</b>
Shares outstanding	<b>12,391</b>	<b>12,450</b>	<b>(59)</b>	<b>(0.5)%</b>

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**SUMMARY OF CASH AND INVESTMENTS**  
**APRIL 28, 2019 AND APRIL 29, 2018**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>April 28, 2019</b>	<b>April 29, 2018*</b>
Cash and cash equivalents	\$ 40,008	\$ 21,228
Short-term investments - Available for Sale	-	2,451
Short-term investments - Held-To-Maturity	5,001	25,759
Long-term investments - Held-To-Maturity	-	5,035
Total Cash and Investments	<u>\$ 45,009</u>	<u>\$ 54,473</u>

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>TWELVE MONTHS ENDED</b>	
	Amounts	
	<b>April 28, 2019</b>	<b>April 29 2018</b>
Cash flows from operating activities:		
Net income	\$ 5,458	20,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,117	7,672
Amortization	780	351
Stock-based compensation	130	2,212
Deferred income taxes	2,027	(2,482)
Realized loss on sale of short-term investments (Available for Sale)	94	-
Gain on sale of property, plant, and equipment	(1,452)	-
Loss from investment in unconsolidated joint venture	114	266
Foreign currency exchange (gain) loss	(17)	66
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Accounts receivable	2,339	(299)
Inventories	3,841	(24)
Other current assets	41	226
Other assets	(65)	(81)
Accounts payable	(3,427)	(4,028)
Deferred revenue	(410)	(94)
Accrued expenses and deferred compensation	(1,492)	(1,562)
Accrued restructuring costs	124	-
Income taxes	(2,329)	4,373
Net cash provided by operating activities	<b>13,873</b>	<b>27,473</b>
Cash flows from investing activities:		
Net cash paid for acquisition of businesses	(12,096)	(4,541)
Capital expenditures	(3,261)	(8,005)
Proceeds from the sale of property, plant, and equipment	1,894	6
Investment in unconsolidated joint venture	(120)	(661)
Proceeds from the sale of short-term investments (Held to Maturity)	25,680	-
Proceeds from the sale of short-term investments (Available for Sale)	2,458	-
Purchase of short-term investments (Available for Sale)	(10)	(49)
Proceeds from the sale of long-term investments (Rabbi Trust)	1,233	57
Purchase of long-term investments (Rabbi Trust)	(1,011)	(1,902)
Proceeds from life insurance policy	394	-
Premium payment on life insurance policy	-	(18)
Net cash provided by (used in) investing activities	<b>15,161</b>	<b>(15,113)</b>
Cash flows from financing activities:		
Proceeds from line of credit	12,000	19,000
Payments on line of credit	(12,000)	(19,000)
Payments on vendor-financed capital expenditures	(1,412)	(3,750)
Proceeds from related party note payable	675	-
Dividends paid	(4,732)	(6,843)
Common stock surrendered for withholding taxes payable	(1,319)	(1,530)
Common stock repurchased	(3,323)	-
Payments of debt issuance costs	(50)	-
Proceeds from common stock issued	-	111
Net cash used in financing activities	<b>(10,161)</b>	<b>(12,012)</b>
Effect of exchange rate changes on cash and cash equivalents	(93)	85
Increase in cash and cash equivalents	18,780	433
Cash and cash equivalents at beginning of period	21,228	20,795
Cash and cash equivalents at end of period	<b>\$ 40,008</b>	<b>21,228</b>
Free Cash Flow (1)	<b>\$ 11,497</b>	<b>13,285</b>



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

	<b>FY 2019</b>	<b>FY 2018</b>
A) Net cash provided by operating activities	\$ <b>13,873</b>	27,473
B) Minus: Capital Expenditures	<b>(3,261)</b>	(8,005)
C) Plus: Proceeds from the sale of property, plant, and equipment	<b>1,894</b>	6
D) Minus: Investment in unconsolidated joint venture	<b>(120)</b>	(661)
E) Minus: Payments on vendor-financed capital expenditures	<b>(1,412)</b>	(3,750)
F) Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	<b>1,233</b>	57
G) Minus: Purchase of long-term investments (Rabbi Trust)	<b>(1,011)</b>	(1,902)
H) Plus: Proceeds from life insurance policy	<b>394</b>	-
I) Minus: Premium payment on life insurance policy	-	(18)
J) Effects of exchange rate changes on cash and cash equivalents	<b>(93)</b>	85
<b>Free Cash Flows</b>	<b>\$ 11,497</b>	<b>13,285</b>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
(Unaudited)  
(Amounts in thousands)

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	<b>April 28, 2019</b>	April 29, 2018	% Over (Under)	<b>April 28, 2019</b>	April 29, 2018
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 37,724	46,525	(18.9)%	53.2%	59.5%
Upholstery Fabrics	29,042	31,659	(8.3)%	40.9%	40.5%
Home Accessories	4,197	-	100.0%	5.9%	0.0%
Net Sales	<u>\$ 70,963</u>	<u>78,184</u>	<u>(9.2)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 5,854	9,155	(36.1)%	15.5%	19.7%
Upholstery Fabrics	5,341	5,605	(4.7)%	18.4%	17.7%
Home Accessories	994	-	100.0%	23.7%	0.0%
Gross Profit	<u>12,189</u>	<u>14,760</u>	<u>(17.4)%</u>	<u>17.2%</u>	<u>18.9%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 3,155	3,067	2.9%	8.4%	6.6%
Upholstery Fabrics	3,565	3,424	4.1%	12.3%	10.8%
Home Accessories	1,473	-	100.0%	35.1%	0.0%
Unallocated Corporate expenses	2,037	1,805	12.9%	2.9%	2.3%
Selling, General, and Administrative Expenses	<u>10,230</u>	<u>8,296</u>	<u>23.3%</u>	<u>14.4%</u>	<u>10.6%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 2,698	6,088	(55.7)%	7.2%	13.1%
Upholstery Fabrics	1,777	2,181	(18.5)%	6.1%	6.9%
Home Accessories	(479)	-	100.0%	(11.4)%	0.0%
Unallocated corporate expenses	(2,037)	(1,805)	12.9%	(2.9)%	(2.3)%
Operating Income	<u>\$ 1,959</u>	<u>6,464</u>	<u>(69.7)%</u>	<u>2.8%</u>	<u>8.3%</u>
<b>Depreciation Expense by Segment</b>					
Mattress Fabrics	\$ 1,742	1,781	(2.2)%		
Upholstery Fabrics	191	211	(9.5)%		
Home Accessories	97	-	100.0%		
Depreciation Expense	<u>\$ 2,030</u>	<u>1,992</u>	<u>1.9%</u>		

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(Unaudited)**  
**(Amounts in thousands)**

	<b>TWELVE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	April 28, 2019	April 29, 2018	% Over (Under)	April 28, 2019	April 29, 2018
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 145,059	192,597	(24.7)%	48.9%	59.5%
Upholstery Fabrics	135,654	131,128	3.5%	45.7%	40.5%
Home Accessories	15,956	-	100.0%	5.4%	0.0%
Net Sales	<u>\$ 296,669</u>	<u>323,725</u>	<u>(8.4)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 22,904	38,797	(41.0)%	15.8%	20.1%
Upholstery Fabrics	25,374	25,836	(1.8)%	18.7%	19.7%
Home Accessories	4,428	-	100.0%	27.8%	0.0%
Subtotal	<u>52,706</u>	<u>64,633</u>	<u>(18.5)%</u>	<u>17.8%</u>	<u>20.0%</u>
Other non-recurring charges	(1) (159)	-	100.0%	(0.1)%	0.0%
Restructuring related charges	(1) (2,349)	-	100.0%	(0.8)%	0.0%
Gross Profit	<u>50,198</u>	<u>64,633</u>	<u>(22.3)%</u>	<u>16.9%</u>	<u>20.0%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 11,296	12,935	(12.7)%	7.8%	6.7%
Upholstery Fabrics	14,551	14,881	(2.2)%	10.7%	11.3%
Home Accessories	5,163	-	100.0%	32.4%	0.0%
Unallocated Corporate expenses	6,837	9,356	(26.9)%	2.3%	2.9%
Subtotal	<u>37,847</u>	<u>37,172</u>	<u>1.8%</u>	<u>12.8%</u>	<u>11.5%</u>
Other non-recurring charges	(1) 518	-	100.0%	0.2%	0.0%
Restructuring related charges	(1) 40	-	100.0%	0.0%	0.0%
Selling, General and Administrative Expenses	<u>\$ 38,405</u>	<u>37,172</u>	<u>3.3%</u>	<u>12.9%</u>	<u>11.5%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 11,608	25,861	(55.1)%	8.0%	13.4%
Upholstery Fabrics	10,823	10,956	(1.2)%	8.0%	8.4%
Home Accessories	(735)	-	100.0%	(4.6)%	0.0%
Unallocated corporate expenses	(6,837)	(9,356)	(26.9)%	(2.3)%	(2.9)%
Subtotal	<u>\$ 14,859</u>	<u>27,461</u>	<u>(45.9)%</u>	<u>5.0%</u>	<u>8.5%</u>
Other non-recurring charges	(1) (678)	-	(100.0)%	(0.2)%	0.0%
Restructuring credit and related charges	(1) (1,563)	-	(100.0)%	(0.5)%	0.0%
Operating income	<u>12,618</u>	<u>27,461</u>	<u>(54.1)%</u>	<u>4.3%</u>	<u>8.5%</u>
<b>Return on Capital (2)</b>					
Mattress Fabrics	15.2%	34.3%			
Upholstery Fabrics	55.0%	58.1%			
Home Accessories	N.M.	N.M.			
Unallocated Corporate	N.M.	N.M.			
Consolidated	<u>11.7%</u>	<u>25.4%</u>			
<b>Capital Employed (2) (3)</b>					

Mattress Fabrics	\$ 72,397	77,726	(6.9)%
Upholstery Fabrics	19,415	20,370	(4.7)%
Home Accessories	3,403	-	N.M.
Unallocated Corporate	30,096	16,721	80.0%
Consolidated	<u>\$ 125,311</u>	<u>114,817</u>	<u>9.1%</u>

Depreciation Expense by Segment

Mattress Fabrics	\$ 7,008	6,850	2.3%
Upholstery Fabrics	787	822	(4.3)%
Home Accessories	322	-	100.0%
Depreciation Expense	<u>\$ 8,117</u>	<u>7,672</u>	<u>5.8%</u>

Notes

(1) See page 9 for detailed description of charges.

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

(3) The capital employed balances are as of April 28, 2019 and April 29, 2018.

**CULP, INC.**  
**RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS**  
**FOR THE THREE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**

	<b>THREE MONTHS ENDED</b>					
	<b>As Reported April 28, 2019</b>	<b>Adjustments</b>	<b>Adjusted April 28, 2019</b>	<b>As Reported April 29, 2018</b>	<b>Adjustments</b>	<b>Adjusted April 29, 2018</b>
Gross profit	<b>\$ 12,189</b>	-	12,189	<b>14,760</b>	-	14,760
Selling, general and administrative expenses	<b>10,230</b>	-	10,230	<b>8,296</b>	-	8,296
Income from operations	<b>1,959</b>	-	1,959	<b>6,464</b>	-	6,464
Other expense	<b>658</b> (1)	(500)	158	<b>115</b>	-	115
Income before income taxes	<b>1,511</b>	500	2,011	<b>6,466</b>	-	6,466
Income Taxes	<b>3,017</b>	-	3,017	<b>(6,217)</b> (2)	7,988	1,771
Net (loss) income	<b>(1,511)</b>	-	(1,511)	<b>12,666</b>	(7,988)	4,678
Plus: Net loss attributable to non-controlling interest	<b>143</b>	-	143	-	-	-
Net (loss) income attributable to Culp Inc. common shareholders	<b>\$ (1,368)</b>	-	(1,368)	<b>12,666</b>	(7,988)	4,678

**Notes**

- (1) Other expense for the three-month period ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.
- (2) Income taxes for the three-month period ending April 29, 2018, include provisional adjustments that represent the income tax effects of the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, of which an income tax benefit of \$9.1 million pertains to a reduction in our U.S. Federal income tax rate pursuant to the TCJA on the effective settlement on an IRS exam and the mandatory repatriation of undistributed earnings and profits associated with our foreign subsidiaries, partially offset by a \$1.1 million charge that relates to the revaluation of our U.S. deferred income taxes as a result of the reduction in our annual effective income tax rate pursuant to the TCJA.

**CULP, INC.**  
**RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**

	<b>TWELVE MONTHS ENDED</b>						
	<b>As Reported April 28, 2019</b>		<b>Adjustments</b>	<b>Adjusted April 28, 2019</b>	<b>As Reported April 29, 2018</b>		<b>Adjusted April 29, 2018</b>
Gross profit	<b>\$ 50,198</b>	(1)	2,508	52,706	<b>64,633</b>	-	64,633
Selling, general and administrative expenses	<b>38,405</b>	(3)	(558)	37,847	<b>37,172</b>	-	37,172
Restructuring credit	<b>(825)</b>	(2)	825	-	-	-	-
Income from operations	<b>12,618</b>		2,241	14,859	<b>27,461</b>	-	27,461
Other expense	<b>1,346</b>	(4)	(500)	846	<b>1,018</b>	-	1,018
Income before income taxes	<b>11,996</b>		2,741	14,737	<b>26,883</b>	-	26,883
Income Taxes	<b>6,424</b>	(5)	550	6,974	<b>5,740</b>	(5) 2,049	7,789
Net income	<b>5,458</b>		(550)	4,908	<b>20,877</b>	(2,049)	18,828
Plus: Net loss attributable to non-controlling interest	<b>218</b>		-	218	-	-	-
Net income attributable to Culp Inc. common shareholders	<b>\$ 5,676</b>		(550)	5,126	<b>20,877</b>	(2,049)	18,828

**Notes**

- (1) The \$2.5 million represents a restructuring related charge of \$1.6 million for inventory markdowns, \$784 for other operating costs associated with our closed Anderson, SC plant facility, and \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (2) The \$825 restructuring credit represents a \$1.5 million gain on the sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics plant facility, partially offset by a charge of \$661 for employee termination benefits.
- (3) The \$558 consists of a non-recurring charge totaling \$469 that was associated with the accelerated vesting of certain stock-based compensation agreements. Of this \$469 non-recurring charge, \$429 and \$40 pertain to unallocated corporate expenses and a restructuring related charge associated with our closed Anderson, SC upholstery fabrics plant facility. Additionally, the \$558 consists of a non-recurring charge of \$89 for employee termination benefits and operational reorganization costs associated with our mattress fabrics segment.
- (4) Other expense for the year ending April 28, 2019, included a \$500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution will be paid over a period of three years.
- (5) Amounts represent provisional adjustments associated with the TCJA enacted on December 22, 2017.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	<b>Quarter Ended</b>				<b>Trailing 12 Months 4/28/2019</b>
	<b>7/29/2018</b>	<b>10/28/2018</b>	<b>1/27/2019</b>	<b>4/28/2019</b>	
Net income (loss)	\$ 965	\$ 2,944	\$ 3,060	\$ (1,511)	\$ 5,458
Income taxes	906	1,276	1,225	3,017	6,424
Interest income, net	(129)	(134)	(251)	(210)	(724)
Other non-recurring charges	-	249	429	500	1,178
Restructuring expense (credit) and related charges	2,014	(791)	340	-	1,563
Depreciation and amortization expense	2,160	2,287	2,232	2,218	8,897
Stock based compensation	(501)	395	479	(243)	130
Adjusted EBITDA	<u>\$ 5,415</u>	<u>\$ 6,226</u>	<u>\$ 7,514</u>	<u>\$ 3,771</u>	<u>\$ 22,926</u>
% Net Sales	<u>7.6%</u>	<u>8.1%</u>	<u>9.7%</u>	<u>5.3%</u>	<u>7.7%</u>
	<b>Quarter Ended</b>				<b>Trailing 12 Months 4/29/2018</b>
	<b>7/30/2017</b>	<b>10/29/2017</b>	<b>1/28/2018</b>	<b>4/29/2018</b>	
Net income (loss)	\$ 4,983	\$ 3,976	\$ (748)	\$ 12,666	\$ 20,877
Income taxes	1,641	2,108	8,208	(6,217)	5,740
Interest income, net	(131)	(91)	(101)	(117)	(440)
Other non-recurring charges	-	-	-	-	-
Restructuring expense (credit) and related charges	-	-	-	-	-
Depreciation and amortization expense	1,889	1,990	2,048	2,096	8,023
Stock based compensation	757	801	864	(210)	2,212
Adjusted EBITDA	<u>\$ 9,139</u>	<u>\$ 8,784</u>	<u>\$ 10,271</u>	<u>\$ 8,218</u>	<u>\$ 36,412</u>
% Net Sales	<u>11.5%</u>	<u>10.9%</u>	<u>12.0%</u>	<u>10.5%</u>	<u>11.2%</u>
% Over (Under)	<u>-40.7%</u>	<u>-29.1%</u>	<u>-26.8%</u>	<u>-54.1%</u>	<u>-37.0%</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating</b>			
	<b>Income</b>			
	<b>Twelve Months Ended</b>	<b>Average Capital Employed</b>	<b>Return on Avg. Capital Employed</b>	
<b>April 28, 2019 (1)</b>	<b>(3)</b>	<b>(2)</b>		
Mattress Fabrics	\$ 11,608	\$ 76,530	15.2%	
Upholstery Fabrics	10,823	19,693	55.0%	
Home Accessories (less: Unallocated Corporate)	(735)	2,568	N.M.	
	(6,837)	28,056		
<b>Total</b>	<b>\$ 14,859</b>	<b>\$ 126,846</b>	<b>11.7%</b>	

	<b>As of the three Months Ended April 28, 2019</b>					<b>As of the three Months Ended January 27, 2019</b>					<b>As of the three Months Ended October 28, 2018</b>				
	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate</b>	<b>Total</b>	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate</b>	<b>Total</b>	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate</b>	<b>Total</b>
Total assets (4)	\$ 83,393	37,529	5,618	93,186	219,726	\$ 86,707	43,097	5,607	89,497	224,908	\$ 86,494	37,442	5,203	93,072	222,211
Total liabilities (5)	(10,996)	(18,114)	(2,215)	(24,154)	(55,479)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)
<b>Subtotal</b>	<b>\$ 72,397</b>	<b>\$ 19,415</b>	<b>\$ 3,403</b>	<b>\$ 69,032</b>	<b>\$ 164,247</b>	<b>\$ 75,103</b>	<b>\$ 20,614</b>	<b>\$ 3,439</b>	<b>\$ 68,076</b>	<b>\$ 167,232</b>	<b>\$ 76,704</b>	<b>\$ 17,796</b>	<b>\$ 3,243</b>	<b>\$ 69,726</b>	<b>\$ 167,469</b>
Less:															
Cash and cash equivalents	-	-	-	(40,008)	(40,008)	-	-	-	(26,418)	(26,418)	-	-	-	(14,768)	(14,768)
Short-term investments - Available-For-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments - Held-To-Maturity	-	-	-	(5,001)	(5,001)	-	-	-	(13,544)	(13,544)	-	-	-	(26,719)	(26,719)
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(7,081)	(7,081)	-	-	-	(6,834)	(6,834)	-	-	-	(7,851)	(7,851)
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(457)	(457)	-	-	-	(3,224)	(3,224)	-	-	-	(3,614)	(3,614)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-	-	-	-	714	714
Income taxes payable - current	-	-	-	1,022	1,022	-	-	-	642	642	-	-	-	2,044	2,044
Income taxes payable - long-term	-	-	-	3,249	3,249	-	-	-	3,294	3,294	-	-	-	3,233	3,233
Deferred income taxes - non-current	-	-	-	3,176	3,176	-	-	-	2,225	2,225	-	-	-	2,225	2,225
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Related Party - Note Payable	-	-	-	675	675	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	6,998	6,998	-	-	-	6,782	6,782	-	-	-	7,120	7,120
<b>Total Capital Employed</b>	<b>\$ 72,397</b>	<b>\$ 19,415</b>	<b>\$ 3,403</b>	<b>\$ 30,096</b>	<b>\$ 125,311</b>	<b>\$ 75,103</b>	<b>\$ 20,614</b>	<b>\$ 3,439</b>	<b>\$ 30,999</b>	<b>\$ 130,155</b>	<b>\$ 76,704</b>	<b>\$ 17,796</b>	<b>\$ 3,243</b>	<b>\$ 32,110</b>	<b>\$ 129,853</b>

	<b>As of the three Months Ended July 29, 2018</b>					<b>As of the three Months Ended April 29, 2018</b>				
	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate</b>	<b>Total</b>	<b>Mattress Fabrics</b>	<b>Upholstery Fabrics</b>	<b>Home Accessories</b>	<b>Unallocated Corporate</b>	<b>Total</b>
Total assets (4)	\$ 93,601	37,386	4,463	90,922	226,372	\$ 95,061	39,812	-	83,111	217,984
Total liabilities (5)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)	(17,335)	(18,679)	-	(18,594)	(54,608)
<b>Subtotal</b>	<b>\$ 80,718</b>	<b>\$ 19,506</b>	<b>\$ 2,753</b>	<b>\$ 63,053</b>	<b>\$ 166,030</b>	<b>\$ 77,726</b>	<b>\$ 21,133</b>	<b>\$ -</b>	<b>\$ 64,517</b>	<b>\$ 163,376</b>
Less:										
Cash and cash	-	-	-	(8,593)	(8,593)	-	-	-	(21,228)	(21,228)



equivalents										
Short-term investments - Available-For-Sale	-	-	-	-	-	-	-	-	(2,451)	(2,451)
Short-term investments - Held-To-Maturity	-	-	-	(30,756)	(30,756)	-	-	-	(25,759)	(25,759)
Current income taxes receivable	-	-	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	(5,035)	(5,035)
Long-term investments - Rabbi Trust	-	-	-	(7,671)	(7,671)	-	-	-	(7,326)	(7,326)
Noncurrent income taxes receivable	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(3,721)	(3,721)	-	-	-	(1,458)	(1,458)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,244	1,244	-	-	-	1,437	1,437
Income taxes payable - long-term	-	-	-	3,733	3,733	-	-	-	3,758	3,758
Deferred income taxes - non-current	-	-	-	2,150	2,150	-	-	-	2,150	2,150
Line of credit	-	-	-	4,000	4,000	-	-	-	-	-
Related Party - Note Payable	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,679	7,679	-	-	-	7,353	7,353
				-	-					
<b>Total Capital Employed</b>	<b>\$ 80,718</b>	<b>\$ 19,506</b>	<b>\$ 2,753</b>	<b>\$ 31,118</b>	<b>\$134,095</b>	<b>\$ 77,726</b>	<b>\$ 21,133</b>	<b>\$ -</b>	<b>\$ 15,958</b>	<b>\$114,817</b>

	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 76,530</b>	<b>\$ 19,693</b>	<b>\$ 2,568</b>	<b>\$ 28,056</b>	<b>\$126,846</b>

**Notes:**

- (1) See reconciliation per page 13 of this financial information release.
- (2) Return on average capital employed represents the last twelve months operating income as of April 28, 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 receivable and payable, line of credit, related party - note payable, and current and noncurrent deferred compensation.
- (3) Average capital employed was computed using the quarterly five periods ending April 28, 2019, January 27, 2019, October 28, 2018, July 29, 2018, and April 29, 2018.
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no affect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.
- (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no affect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED APRIL 29, 2018**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Twelve Months Ended April 29, 2018 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 25,861	\$ 75,398	34.3%
Upholstery Fabrics	10,956	18,862	58.1%
(less: Unallocated Corporate)	(9,356)	13,741	N.M
<b>Total</b>	<b>\$ 27,461</b>	<b>\$ 108,001</b>	<b>25.4%</b>

<b>Average Capital Employed</b>	<b>As of the three Months Ended April 29, 2018</b>				<b>As of the three Months Ended January 28, 2018</b>				<b>As of the three Months Ended October 29, 2017</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 95,061	39,812	83,111	\$ 217,984	\$ 93,827	43,458	79,559	\$ 216,844	\$ 94,626	34,974	71,443	\$ 201,043
Total liabilities	(17,335)	(19,442)	(17,831)	(54,608)	(18,418)	(22,781)	(23,463)	(64,662)	(16,150)	(17,225)	(14,588)	(47,963)
<b>Subtotal</b>	<b>\$ 77,726</b>	<b>\$ 20,370</b>	<b>\$ 65,280</b>	<b>\$ 163,376</b>	<b>\$ 75,409</b>	<b>\$ 20,677</b>	<b>\$ 56,096</b>	<b>\$ 152,182</b>	<b>\$ 78,476</b>	<b>\$ 17,749</b>	<b>\$ 56,855</b>	<b>\$ 153,080</b>
Less:												
Cash and cash equivalents	-	-	(21,228)	(21,228)	-	-	(22,428)	(22,428)	-	-	(15,739)	(15,739)
Short-term investments - Available-For-Sale	-	-	(2,451)	(2,451)	-	-	(2,472)	(2,472)	-	-	(2,478)	(2,478)
Short-term investments - Held-To-Maturity	-	-	(25,759)	(25,759)	-	-	(17,206)	(17,206)	-	-	(4,015)	(4,015)
Long-term investments - Held-To-Maturity	-	-	(5,035)	(5,035)	-	-	(13,625)	(13,625)	-	-	(26,853)	(26,853)
Long-term investments - Rabbi Trust	-	-	(7,326)	(7,326)	-	-	(7,176)	(7,176)	-	-	(6,921)	(6,921)
Deferred income taxes - non-current	-	-	(1,458)	(1,458)	-	-	(1,942)	(1,942)	-	-	(491)	(491)
Income taxes payable - current	-	-	1,437	1,437	-	-	1,580	1,580	-	-	692	692
Income taxes payable - long-term	-	-	3,758	3,758	-	-	10,940	10,940	-	-	487	487
Deferred income taxes - non-current	-	-	2,150	2,150	-	-	2,096	2,096	-	-	4,641	4,641
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-
Deferred compensation	-	-	7,353	7,353	-	-	7,216	7,216	-	-	6,970	6,970
<b>Total Capital Employed</b>	<b>\$ 77,726</b>	<b>\$ 20,370</b>	<b>\$ 16,721</b>	<b>\$ 114,817</b>	<b>\$ 75,409</b>	<b>\$ 20,677</b>	<b>\$ 13,079</b>	<b>\$ 109,165</b>	<b>\$ 78,476</b>	<b>\$ 17,749</b>	<b>\$ 13,148</b>	<b>\$ 109,373</b>
	<b>As of the three Months Ended July 30, 2017</b>				<b>As of the three Months Ended April 30, 2017</b>							
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total				
Total assets (4)	\$ 99,190	34,491	74,223	\$ 207,904	\$ 98,087	\$ 32,255	\$ 75,292	\$ 205,634				
Total liabilities	(24,277)	(14,983)	(18,967)	(58,227)	(27,619)	(16,249)	(13,136)	(57,004)				
<b>Subtotal</b>	<b>\$ 74,913</b>	<b>\$ 19,508</b>	<b>\$ 55,256</b>	<b>\$ 149,677</b>	<b>\$ 70,468</b>	<b>\$ 16,006</b>	<b>\$ 62,156</b>	<b>\$ 148,630</b>				
Less:												
Cash and cash equivalents	-	-	(18,322)	(18,322)	-	-	(20,795)	(20,795)				
Short-term investments - Available-For-Sale	-	-	(2,469)	(2,469)	-	-	(2,443)	(2,443)				

Short-term investments - Held-To-Maturity	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	(30,907)	(30,907)	-	-	(30,945)
Long-term investments - Rabbi Trust	-	-	(6,714)	(6,714)	-	-	(5,466)
Deferred income taxes - non-current	-	-	(436)	(436)	-	-	(419)
Income taxes payable - current	-	-	884	884	-	-	287
Income taxes payable - long-term	-	-	487	487	-	-	467
Deferred income taxes - non-current	-	-	4,253	4,253	-	-	3,593
Line of credit	-	-	5,000	5,000	-	-	-
Deferred compensation	-	-	6,769	6,769	-	-	5,520

Total Capital Employed	\$ 74,913	\$ 19,508	\$ 13,801	\$ 108,222	\$ 70,468	\$ 16,006	\$ 11,955	\$ 98,429
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	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<u>\$ 75,398</u>	<u>\$ 18,862</u>	<u>\$ 13,741</u>	<u>\$ 108,001</u>

**Notes:**

(1) See reconciliation per page 13 of this financial information release.

(2) Return on average capital employed represents the last twelve months operating income as of April 29, 2018, 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 deferred compensation.

(3) Average capital employed was computed using the five quarterly periods ending April 29, 2018, January 28, 2018, October 29, 2017, July 30, 2017, and April 30, 2017.

(4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no affect on capital employed and return on capital employed for both our mattress fabrics and upholstery fabrics segments.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF OPERATING INCOME (LOSS)**  
**FOR THE TWELVE MONTHS ENDED APRIL 28, 2019 AND APRIL 29, 2018**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 4/28/2019
	7/29/2018	10/28/2018	1/27/2019	4/28/2019	
Mattress Fabrics	\$ 2,803	\$ 2,899	\$ 3,208	\$ 2,698	\$ 11,608
Upholstery Fabrics	2,525	2,722	3,799	1,777	10,823
Home Accessories	21	34	(311)	(479)	(735)
Unallocated Corporate	(1,259)	(1,913)	(1,628)	(2,037)	(6,837)
Subtotal	4,090	3,742	5,068	1,959	14,859
Other non-recurring charges	-	(249)	(429)	-	(678)
Restructuring (expense) credit and related charges	(2,014)	791	(340)	-	(1,563)
<b>Operating income</b>	<b>\$ 2,076</b>	<b>\$ 4,284</b>	<b>\$ 4,299</b>	<b>\$ 1,959</b>	<b>\$ 12,618</b>

  

	Quarter Ended				Trailing 12 Months 4/29/2018
	7/30/2017	10/29/2017	1/28/2018	4/29/2018	
Mattress Fabrics	\$ 6,374	\$ 6,562	\$ 6,837	\$ 6,088	\$ 25,861
Upholstery Fabrics	2,891	2,374	3,510	2,181	10,956
Unallocated Corporate	(2,301)	(2,547)	(2,703)	(1,805)	(9,356)
Operating income	<b>\$ 6,964</b>	<b>\$ 6,389</b>	<b>\$ 7,644</b>	<b>\$ 6,464</b>	<b>\$ 27,461</b>
<b>% Over (Under)</b>	<b>-70.2%</b>	<b>-32.9%</b>	<b>-43.8%</b>	<b>-69.7%</b>	<b>-54.1%</b>