

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) April 25, 2022

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.

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

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic or political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments or valuation allowances could affect our financial results. Increases in freight, labor costs and raw material prices, including increase in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Finally, disruption in our customers’ supply chains for non-fabric components may cause declines in new orders and/or delayed shipping of existing orders while our customers wait for other components, which could adversely affect our financial results. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

Item 7.01 – Regulation FD Disclosure

On April 25, 2022, Culp, Inc. (the “Company”) issued a news release regarding revised expectations about its financial results for the fourth quarter of the Company’s fiscal 2022, as well as the Company’s entry into a non-binding term sheet for a secured credit facility. A copy of the news release is furnished as Exhibit 99 to this Current Report on Form 8-K and incorporated herein by reference.

The information furnished in this Item 7.01 of this Current Report, including Exhibit 99 attached hereto, is being furnished and 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.

Item 9.01 (d) – Exhibits

- 99 [News Release dated April 25, 2022](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

CULP, INC.
(Registrant)

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

Dated: April 25, 2022

EXHIBIT INDEX

Exhibit Number

Exhibit

99	News Release dated April 25, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

CULP

Investor Contact:

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

CULP REVISES EXPECTATIONS FOR FOURTH QUARTER FISCAL 2022

ANNOUNCES SIGNING OF NON-BINDING TERM SHEET FOR SECURED CREDIT FACILITY

HIGH POINT, N.C. (April 25, 2022) — Culp, Inc. (NYSE: CULP) (together with its consolidated subsidiaries, “CULP”) today announced that, based on current estimates, the company is lowering its expectations for net sales and income (loss) from operations for the fourth quarter of fiscal 2022 due primarily to COVID-related shutdowns affecting the company’s operations in China and further weakening in domestic mattress industry sales. The company now expects net sales for the fourth quarter to be down significantly as compared to the fourth quarter of fiscal 2021 and expects a consolidated operating loss in the range of \$(6.5) million to \$(7.5) million for the quarter. The company expects to end the fourth quarter with approximately \$10 million in cash and no outstanding borrowings. These updated expectations are based on information available at the time of this press release and reflect certain assumptions by management regarding the duration and projected impact of the shutdowns affecting the company’s operations in China, as well as other business conditions, consumer trends, and geopolitical events, which could differ materially from the assumptions used.

CULP also announced today that it has executed a non-binding term sheet (the “Term Sheet”) with the lender of its existing domestic credit facility for a revolving credit facility of up to \$40 million (the “Credit Facility”), secured by the company’s assets. This proposed Credit Facility will replace the company’s existing unsecured credit facility that is set to expire in August 2022. The company’s borrowing availability under the new Credit Facility will be based on a calculation using the company’s accounts receivable and inventory levels, determined on a monthly basis. The company estimates that it will have approximately \$32 million of borrowing availability upon closing of the new facility, which, over time, is projected to be greater than the availability under the existing facility. The completion of the Credit Facility is subject to the parties entering into applicable definitive agreements, which may contain additional or different terms from those described herein.

Commenting on the announcements, Iv Culp, president and chief executive officer of Culp, Inc., said, “The fourth quarter of fiscal 2022 has been challenged by the unexpected shutdowns of our China facilities due to the COVID-related restrictions imposed by China’s government. First, our thoughts are with our dedicated China associates who are experiencing extended quarantine lockdowns in connection with these shutdowns. Our China operations have been closed since April 1, 2022, which has prevented us from shipping goods in both our upholstery fabrics and our sewn mattress cover business. We initially expected these shutdowns would be very short-term, and that we would have an opportunity to ship orders before the end of the fourth quarter. However, we now expect the closures to continue for at least the entire month of April, which will prevent us from making up any of these delayed sales before the end of the fiscal 2022 year.

“Additionally, mattress fabrics sales in March and April declined materially as our manufacturing customers reacted to slowing retail demand by curtailing inventory purchases. This sudden and material decline in revenues has had an outsized impact on our profitability for the quarter. While we acknowledge that consumer demand for mattresses has slowed and may be soft for some period of time, we do not expect the magnitude of the decline we experienced in March and April to continue during the first quarter of fiscal 2023.

“Despite the extraordinary headwinds we are facing, we are diligently managing the aspects of our business we can control, including aggressively reducing expenses, reducing production schedules, and making other right-sizing adjustments to align with current demand levels. We are focused on taking necessary actions to adapt to the current challenges and manage our liquidity in the face of what we believe

are near-term disruptions, while also ensuring that we can weather any demand environment and meet the needs of our customers when conditions normalize.

“Additionally, we are pleased to enter into the term sheet for the new credit facility, which should provide us with ample liquidity to navigate this difficult environment. We are extremely well positioned for the long term and confident that our innovative products, creative designs, and global manufacturing platform will serve us well into the future,” added Culp.

The company expects to report financial and operating results for the fourth quarter and the full fiscal 2022 year in mid-June.

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 manufacturing and sourcing capabilities located in the United States, Canada, China, Haiti, Turkey, and Vietnam.

Forward Looking Statements

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