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CULP, INC.

NYSE: CULP

Fourth Quarter Fiscal 2021 Summary Financial Information

June 16, 2021

FOURTH QUARTER FISCAL 2021 FINANCIAL SUMMARY*

- Net sales were $79.1 million, up 67 percent over the prior-year period, with mattress fabrics sales up 84 percent and upholstery fabrics sales up 50 percent compared with the fourth quarter of last year.
- Income from continuing operations (operating income) was $1.6 million, compared with a loss from continuing operations of $(18.0) million for the prior-year period, which included $13.7 million in non-cash asset impairment charges.
- Net income from continuing operations (GAAP) was $1.5 million, or $0.12 per diluted share, compared with a net loss from continuing operations (GAAP) of $(16.2) million, or $(1.32) per diluted share, for the prior-year period.
- Adjusted net income from continuing operations (non-GAAP) was $1.4 million, or $0.11 per diluted share, compared with adjusted net loss from continuing operations (non-GAAP) of $(5.3) million, or $(0.43) per diluted share, for the prior year period.** (See reconciliation table at the back of presentation.)

* During the fourth quarter of fiscal 2020, the company sold its majority interest in eLuxury, LLC, resulting in the elimination of its home accessories segment. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

** Adjusted net income from continuing operations for the fourth quarter of fiscal 2021 excludes an $819,000 gain on bargain purchase associated with the company's fourth-quarter acquisition of the remaining fifty percent ownership interest in its former unconsolidated joint venture located in Haiti, as well as $742,000 in certain income tax adjustments for the quarter. Adjusted net loss from continuing operations for the prior-year period excludes $13.7 million in non-cash asset impairment charges and $2.8 million in income tax expense. (See reconciliation table at back of presentation.)

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FOURTH QUARTER FISCAL 2021 FINANCIAL SUMMARY (cont'd)

- **The company's financial position as of the end of fiscal 2021 reflected total cash and investments of $46.9 million and no outstanding borrowings. This compares with a net cash position of $38.7 million as of the end of fiscal 2020. (See summary of cash and investments table at back of presentation.)**
- **The company announced a quarterly cash dividend of $0.11 per share, payable in July. At an annual indicated dividend of $0.44 per share, the yield is 2.57 percent, based upon the June 15, 2021, closing stock price of $17.14 per share.**

FISCAL 2021 FULL YEAR FINANCIAL SUMMARY*

- Net sales were $299.7 million, up 17 percent compared with the prior year**, with mattress fabrics sales up 20 percent and upholstery fabrics sales up 14 percent.
- Income from continuing operations (operating income) for fiscal 2021 was $12.1 million, compared with a loss from continuing operations of $(7.6) million for the prior year, which included $13.7 million in non-cash asset impairment charges.
- Net income from continuing operations (GAAP) was $3.2 million, or $0.26 per diluted share, which includes $2.2 million in other expense relating primarily to foreign exchange rate fluctuations associated with the company's operations located in China. This compares with a net loss from continuing operations (GAAP) of $(11.2) million, or $(0.90) per diluted share, for the prior year, which included $902,000 in other expense.
- Adjusted net income from continuing operations (non-GAAP) was $7.3 million, or $0.59 per diluted share, compared with adjusted net income from continuing operations (non-GAAP) of $1.2 million, or $0.10 per diluted share, for the prior year.*** (See reconciliation table at the back of presentation.)

* During the fourth quarter of fiscal 2020, the company sold its majority interest in eLuxury, LLC, resulting in the elimination of its home accessories segment. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

** The fiscal 2021 year had 52 weeks compared to 53 weeks in fiscal 202.

*** Adjusted net income from continuing operations for fiscal 2021 excludes an $819,000 gain on bargain purchase associated with the company's fourth-quarter acquisition of the remaining fifty percent ownership interest in its former unconsolidated joint venture located in Haiti, as well as $4.9 million in income tax expense for the year. Adjusted net income from continuing operations for the prior year excludes $13.7 million in non-cash asset impairment charges and $1.3 million in income tax expense. (See reconciliation table at back of presentation.)

FISCAL 2021 FULL YEAR FINANCIAL SUMMARY (cont'd)

- Cash flow from operations and free cash flow for fiscal 2021 were $21.5 million and $14.4 million, respectively, compared with cash flow from operations and free cash flow of $5.0 million and $1.5 million, respectively, for the prior year. (See reconciliation table at back of presentation.)
- Trailing twelve months adjusted EBITDA for fiscal 2021 was $18.5 million, or 6.2 percent of net sales, compared to $13.6 million, or 5.4 percent of net sales, for the prior year. (See reconciliation table at back of presentation.)
- The company paid $5.3 million in dividends during fiscal 2021. In March 2021, the Board of Directors reinstated the company's share repurchase program, which was previously suspended in April 2020 due to uncertainty surrounding the COVID-19 pandemic. There is $5.0 million available under the share repurchase program authorized by the Board of Directors in March 2020.

FINANCIAL OUTLOOK

- Although subject to uncertainties, the company is encouraged by the execution of its product-driven strategy and continued strength in demand for home furnishing products, as well as its expanding market share reach.
- The company's net sales for the first quarter of fiscal 2022 are expected to increase approximately 20 percent compared to the prior year period.
- The company's consolidated operating income (income from continuing operations) for the first quarter of fiscal 2022 is expected to be significantly improved as compared to the prior-year period and as compared to the fourth quarter of fiscal 2021.
- For the full fiscal 2022 year, the company expects net sales to continue increasing moderately and consolidated operating income to increase significantly as compared to fiscal 2021.
- The company's expectations for the first quarter and the full fiscal 2022 year are based on information available at the time of this press release and reflect certain assumptions by management regarding the company's business and trends. The outlook assumes there will be no further pandemic-related shutdowns and no material changes in freight and raw material costs, foreign currency exchange rates, recent consumer trends, or other circumstances beyond the company's control.

FOURTH QUARTER 2021 HIGHLIGHTS*

($ in millions)

GAAP	Q4 FY21	Q4 FY20	Change	
			$	%
Sales	$79.1	$47.4	$31.7	66.9%
Operating income from continuing ops	$1.6	($18.0)	$19.6	NM
Operating income margin	2.1%	(38.0%)		NM
Pre-tax income from continuing ops	$2.3	($18.4)	$20.7	NM
Pre-tax margin	3.0%	(38.8%)		NM
Net income from continuing ops	$1.5**	($16.2)**	$17.7	NM
EPS per diluted share from continuing ops	$0.12**	($1.32)**	$1.44	NM

* During the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

** Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

FOURTH QUARTER 2021 HIGHLIGHTS*

($ in millions)

Adjusted (Non-GAAP)**	FY21	FY20	Change $	%
Adjusted net income (loss) from continuing operations	$1.4***	$(5.3)****	$6.7	NM
Adjusted EPS from continuing operations per diluted share	$0.11***	$(0.43)****	$0.54	NM

* During the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

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

*** Excludes an $819,000 gain on bargain purchase associated with the company's fourth-quarter acquisition of the remaining fifty percent ownership interest in its former unconsolidated joint venture located in Haiti, as well as $742,000 in certain income tax adjustments for the quarter. See Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

**** Excludes $13.7 million in non-cash asset impairment charges and $2.8 million in income tax expense. See Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

FISCAL 2021 HIGHLIGHTS*

($ in millions)

GAAP	FY21	FY20	Change	
			$	%
Sales	$299.7	$256.2	$43.5	17.0%
Operating income from continuing ops	$12.1	($7.6)	($7.6)	NM
Operating income margin	4.0%	(3.0)%		700 bp
Pre-tax income from continuing ops	$10.9	($7.7)	$18.6	NM
Pre-tax margin	3.6%	(3.0)%		660 bp
Net income (loss) from continuing ops	$3.2**	($11.2)**	$14.4	NM
EPS per diluted share from continuing ops	$0.26**	($0.90)**	$1.16	NM

- The fiscal 2021 year included 52 weeks compared to 53 weeks in fiscal 2020. Also, during the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

** Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

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FISCAL 2021 HIGHLIGHTS*

($ in millions)

Adjusted (Non-GAAP)**	FY21	FY20	Change $	%
Adjusted net income (loss) from continuing operations	$7.3***	$1.2****	$6.1	504.3%
Adjusted net income (loss) from continuing operations per share	$0.59***	$0.10****	$.49	490.0%

* The fiscal 2021 year included 52 weeks compared to 53 weeks in fiscal 2020. Also, during the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

** Refer to preceding Slide 9 for GAAP presentation as well as Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

*** Excludes an $819,000 gain on bargain purchase associated with the company's fourth-quarter acquisition of the remaining fifty percent ownership interest in its former unconsolidated joint venture located in Haiti, as well as $4.9 million in income tax expense for the year. See Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

**** Excludes $13.7 million in non-cash asset impairment charges and $1.3 million in income tax expense. See Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

Q4 SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	Change %
Q4 2020	$47.4	
Mattress fabrics increase	19.6	83.9%
Upholstery fabrics increase	12.1	50.4%
Q4 2021	$79.1	66.9%

Operating Income	Change $	Change %
Q4 2020	($18.0)	
Mattress fabrics increase	5.0	(182.3)%
Upholstery fabrics increase	2.1	433.3%
Unallocated corporate expense increase	(1.2)	61.8%
Asset Impairments	13.7	(100.0)%
Q4 2021	$1.6	(109.1)%

* From continuing operations for the quarterly periods ended May 2, 2021, and May 3, 2020.

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FY 2021 SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	Change %
FY 2020	$256.2	
Mattress fabrics increase	26.3	20.0%
Upholstery fabrics increase	17.3	13.9%
FY 2021	$299.7	17.0%

Operating Income	Change $	Change %
FY 2020	($7.6)	
Mattress fabrics increase	6.8	139.6%
Upholstery fabrics increase	2.0	20.4%
Unallocated corporate expense increase	(2.9)	33.1%
Asset Impairments	13.7	(100.0)%
FY 2021	$12.1	(259.6)%

* From continuing operations for the twelve-month periods ended May 2, 2021, and May 3, 2020. The fiscal 2021 year included 52 weeks compared to 53 weeks in fiscal 2020.

Q4 MATTRESS FABRICS HIGHLIGHTS

($ in millions)

	Q4 FY21	Q4 FY20	Change $	Change %
Sales	$42.9	$23.4	$19.5	83.9%
Operating Income	2.3	(2.8)	$5.1	NM
Operating Income Margin	5.3%	(11.8)%		NM
Depreciation	$1.4	$1.7	($0.3)	(15.3)%

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FISCAL 2021 MATTRESS FABRICS HIGHLIGHTS*

($ in millions)

	FY21	FY20	Change $	Change %
Sales	$157.7	$131.4	$26.3	20.0%
Operating Income	11.8	4.9	$6.9	7.5%
Operating Income Margin	7.5%	3.7%		380 bp
Depreciation	$6.0	$6.7	($0.7)	(10.4)%

* For the twelve-month periods ended May 2, 2021, and May 3, 2020. The fiscal 2021 year included 52 weeks compared to 53 weeks in fiscal 2020.

Q4 MATTRESS FABRICS KEY POINTS

- Significant growth in sales for mattress fabrics segment during the fourth quarter, as well as during fiscal 2021 year.
- Top line growth driven by ongoing consumer focus on home environment, combined with relentless focus on product innovation, creative designs, and ability to service the increased demand through strong global platform.
- Benefitted from market share gains across a diversified group of new and existing customers, including further growth in sewn mattress cover business.
- Fabric-to-cover model, as well as on-shore, near-shore, and off-shore supply chain strategy, is proving to be a preferred platform for providing mattress cover customers with the agility and value they need for their business.
- Operating performance for the fourth quarter, though dramatically improved compared to prior-year period, was affected by several factors, including operating inefficiencies, increased raw material and freight costs, and unfavorable foreign currency exchange rate fluctuations in China and Canada.
- Although price increase announced during fourth quarter to help mitigate higher freight and raw material costs, this action did not take effect until beginning of fiscal 2022, resulting in temporary cost-price lag that affected operating performance for the quarter.
- Improved operating performance for fiscal 2021, as compared to prior year, primarily reflects solid increase in sales for the year, offset by same factors that affected fourth quarter, as well as disruption in our customers' supply chains for non-fabric components.
- Although there are lingering pressures heading into fiscal 2022, believe business is well positioned to gain market share, and expect solid top line performance to continue at improved profitability levels during the year.

Q4 UPHOLSTERY FABRICS HIGHLIGHTS

($ in millions)

	Q4 FY21	Q4 FY20	Change	
			$	%
Sales	$36.1	$24.0	$12.1	50.4%
Operating Income	$2.6	$0.5	$2.1	433.3%
Operating Income Margin	7.2%	2.0%		520 bp
Depreciation	$0.2	$0.2	$0.0	NM

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FISCAL 2021 UPHOLSTERY FABRICS HIGHLIGHTS*

($ in millions)

	FY21	FY20	Change $	Change %
Sales	$142.0	$124.8	$17.2	13.9%
Operating Income	11.9	9.9	$2.0	20.4%
Operating Income Margin	8.4%	7.9%		50 bp
Depreciation	$0.8	$0.8	$0.0	NM

* For the twelve-month periods ended May 2, 2021, and May 3, 2020. The fiscal 2021 year included 52 weeks compared to 53 weeks in fiscal 2020.

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Q4 UPHOLSTERY FABRICS KEY POINTS

- Strong growth in sales and operating performance for upholstery fabrics segment during fourth quarter and fiscal 2021 year, driven by increase in residential business, as well as market share gains and product innovation with popular LiveSmart® portfolio of products.
- Growth partially offset by lower sales in hospitality business due to continued pandemic-related disruptions to travel and leisure industries.
- Successfully navigated significant headwinds during the fourth quarter, including customer supply chain constraints and container availability, as well as impact of Chinese New Year holiday timing, to deliver better than expected results for the quarter.
- Executed well on product driven strategy and continued to benefit from the strength and flexibility of robust platform in Asia, including stable, long-term supplier relationships and expanded cut and sew capabilities in Vietnam.
- Improved operating performance for the fourth quarter and fiscal 2021 reflects significant increase in sales in residential business, offset somewhat by unfavorable China foreign exchange rate fluctuations and reduced demand in hospitality business.
- Encouraged by continuing strong backlog in residential business and expected recovery in hospitality segment. Also expect recent price increase initiated at the end of the fourth quarter will help offset ongoing China foreign exchange rate fluctuations.
- Excited to be expanding capacity for cut and sewn upholstery kits with a new production facility in Haiti (expected to be complete during the second quarter of fiscal 2022).
- Expect certain near-term headwinds, including rising freight and raw material costs, may temporarily pressure business, but confident in ability to navigate these headwinds with business that is well-positioned for long term.

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FREE CASH FLOW*

($ in millions)

	FY21	FY20
Net income	3.2	(28.7)
Depreciation, amortization, & stock-based compensation	8.6	9.1
Deferred taxes, other	4.4	27.8
Gross cash flow	16.2	8.2
Cash flow from working capital and changes in other assets/liabilities	5.3	(3.2)
Cash flow from operations	21.5	5.0
Capital expenditures, including payments that are vendor financed	(6.7)	(4.6)
Investment in unconsolidated joint venture	(0.1)	(0.2)
Other	(0.3)	1.3
Free cash flow	$14.4	$1.5

* See reconciliation at the back of this presentation.

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ADJUSTED EBITDA

CULP, INC.
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED MAY 2, 2021, AND MAY 3, 2020
Unaudited
(Amounts in Thousands)

	May 2, 2021	May 3, 2020
Net income (loss)	$ 3,218	$ (28,667)
Loss before income taxes from discontinued operations	—	17,577
Income tax expense from continuing operations	7,693	3,354
Interest income, net	(193)	(791)
Gain on bargain purchase	(819)	—
Asset impairments from continuing operations	—	13,712
Restructuring credit	—	(70)
Depreciation expense - continuing operations	6,846	7,477
Amortization expense	466	647
Stock based compensation	1,251	614
Adjusted EBITDA	$ 18,462	$ 13,853
% Net Sales	6.2%	5.4%

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OPERATING WORKING CAPITAL

($ in millions)

	May 2, 2021	May 3, 2020	% Change
Accounts receivable, net	$37.7	$25.1	50.3%
Inventories, net	55.9	47.9	16.7%
Accounts payable	(42.5)	(23.0)	84.9%
Accounts payable – capital expenditures	(0.3)	(0.1)	NM
Operating working capital	$50.8	$49.9	1.7%
Percent of sales*	16.9%	19.5%	(260) bp
Days sales outstanding	42.8	47.2	(9.4)%
Inventory turns	4.6	3.5	30.7%
Days accounts payable outstanding**	57.3	47.4	21.3%

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

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

NET CASH, INVESTMENTS, AND EQUITY

($ and share amounts in millions)

	FY21	FY20
Cash and cash equivalents	$37.0	$69.8
Short-term investments (Available for Sale)	5.6	0.9
Short-term investments (Held-to-Maturity)	3.2	4.3
Long-term investments (Held-to-Maturity)	1.1	2.1
Total cash and investments	$46.9	$77.1
Total debt	$ 0.0	$38.4
Net cash and investments	$46.9	$38.7
Shareholders' equity attributable to Culp, Inc.	$129.0	$129.7
Shares outstanding	12,313	12,285
Book value per share	$10.48	$10.56

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CULP, INC.

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FORWARD LOOKING STATEMENTS

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

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic or political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. 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 most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

ABOUT NON-GAAP FINANCIAL INFORMATION

This presentation contains adjusted income statement information, which discloses adjusted net income (loss) and adjusted earnings per share, non-GAAP performance measures that eliminate (i) asset impairment charges, (ii) a non-recurring gain on bargain purchase associated with our acquisition of the remaining fifty percent interest in our former unconsolidated joint venture located in Haiti, (iii) certain non-cash income tax adjustments relating to the income tax effects from the asset impairment charges and gain on bargain purchase, (iv) a non-cash income tax charge in connection with a full valuation allowance against the Company's U.S. net deferred income tax assets, (v) a non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with the recently enacted final regulations regarding the Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017; and (vi) GILTI tax incurred during fiscal 2020. The company has included this adjusted information in order to show operational performance excluding the effects of these items, which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes this presentation aids in the comparison of financial results among comparable financial periods. In addition, this information is used by management to evaluate and make operational decisions about the company's business. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income, earnings per share, or operating income calculated in accordance with GAAP. In addition, the calculation of the company's income taxes involves numerous estimates and assumptions, which we have made in good faith.

This presentation contains disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash provided by (used in) operating activities, less cash capital expenditures, plus any proceeds from sale of property, plant, and equipment, plus proceeds from long-term note receivable associated with discontinued operation, less investment in unconsolidated joint venture, plus proceeds from life insurance policies, less premium payments on life insurance policies, less payments on vendor-financed capital expenditures, plus proceeds from the sale of long-term investments associated with our rabbi trust, less the purchase of long-term investments associated with our rabbi trust, and plus or minus the effects of foreign currency exchange rate changes on cash and cash equivalents, in each case to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases, dividends, and additions to cash and investments. We note, however, that not all of the company's free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment, and also for making decisions about dividend payments and share repurchases.

ABOUT NON-GAAP FINANCIAL INFORMATION (2)

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

RECONCILIATION OF FREE CASH FLOW

RECONCILIATION OF FREE CASH FLOW
FOR THE TWELVE MONTHS ENDED MAY 2, 2021, AND MAY 3, 2020
Unaudited
(Amounts in Thousands)

	FY 2021	FY 2020
A) Net cash provided by operating activities	$ 21,478	4,970
B) Minus: Capital Expenditures	(6,664)	(4,585)
C) Plus: Proceeds from the sale of equipment	12	672
D) Plus: Proceeds from long-term note receivable associated with discontinued operation	—	1,523
E) Minus: Investment in unconsolidated joint venture	(90)	(220)
F) Plus: Proceeds from the sale of long-term investments (rabbi trust)	157	—
G) Minus: Purchase of long-term investments (rabbi trust)	(619)	(788)
H) Effects of exchange rate changes on cash and cash equivalents	131	(119)
Free Cash Flow	$ 14,405	1,453

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Q4 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED MAY 2, 2021, AND MAY 3, 2020
Unaudited
(Amounts in Thousands, Except Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results	**As Reported May 3, 2020**	Adjustments	May 3, 2020 Adjusted Results
Gross profit from continuing operations	**$ 11,797**	—	$ 11,797	**$ 3,045**	—	$ 3,045
Selling, general, and administrative expenses	**(10,158)**	—	(10,158)	**(7,327)**	—	(7,327)
Asset impairments (2)	**-**	—	—	**(13,712)**	13,712	—
Income (loss) from continuing operations	**$ 1,639**	—	$ 1,639	**$ (17,994)**	13,712	$ (4,282)
Gain on bargain purchase (1)	**$ 819**	(819)	$ —	**$ —**	$ —	$ —
Income (loss) before income taxes from continuing operations	**$ 2,342**	(819)	$ 1,523	**$ (18,383)**	13,712	$ (4,671)
Income tax (expense) benefit (3)	**(857)**	742	(115)	**2,237**	(2,809)	(572)
Loss from investment in unconsolidated joint venture	**—**	—	—	**(65)**	—	(65)
Net income (loss) from continuing operations	**$ 1,485**	(77)	$ 1,408	**$ (16,211)**	10,903	$ (5,308)
Net income from continuing operations per share - basic	**$ 0.12**		$ 0.11	**$ (1.32)**		$ (0.43)
Net income from continuing operations per share - diluted	**$ 0.12**		$ 0.11	**$ (1.32)**		$ (0.43)
Average shares outstanding-basic	**12,310**		12,310	**12,297**		12,405
Average shares outstanding-diluted	**12,399**		12,399	**12,297**		12,421

Q4 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS (CONT'D)

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we are now the sole owner with full control over this operation. The gain on bargain purchase represents the net assets acquired from this transaction that were more than the purchase price totaling $954,000.

(2) During the three-month period ending May 3, 2020, we incurred asset impairment charges totaling $13.7 million that pertained to goodwill and certain intangible assets. Of this $13.7 million, $11.5 million, and $2.2 million were associated with the mattress fabrics segment and upholstery fabrics segment, respectively.

(3) The $742,000 adjustment for the three-months ending May 2, 2021, includes the income tax effects from the gain on bargain purchase and the change in our estimated full valuation allowance applied against our U.S. net deferred income taxes during the fourth quarter of fiscal 2021. The $2.8 million adjustment for the three-months ending May 3, 2020, includes the income tax effects from asset impairments, change in our estimated valuation allowance primarily applied against our U.S. state loss carryforwards, and our GILTI tax incurred during the fourth quarter of fiscal 2020.

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FISCAL 2021 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE TWELVE MONTHS ENDED MAY 2, 2021, AND MAY 3, 2020
Unaudited
(Amounts in Thousands, Except Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results	**As Reported May 3, 2020**	Adjustments	May 3, 2020 Adjusted Results
Gross profit from continuing operations	**$ 49,832**	—	$ 49,832	**$ 40,498**	—	$ 40,498
				—		
Selling, general, and administrative expenses	**(37,756)**	—	(37,756)	**(34,424)**	—	(34,424)
Asset impairments (2)	—	—	—	**(13,712)**	13,712	—
Restructuring credit (3)	—	—	—	**70**	(70)	—
Income (loss) from continuing operations	**$ 12,076**	—	$ 12,076	**$ (7,568)**	13,642	$ 6,074
Gain on bargain purchase (1)	**$ 819**	(819)	$ —	$ —	$ —	$ —
Income (loss) before income taxes from continuing operations	**$ 10,880**	(819)	$ 10,061	**$ (7,679)**	13,642	$ 5,963
Income tax expense (4) (5)	**(7,693)**	4,852	(2,841)	**(3,354)**	(1,284)	(4,638)
Income (loss) from investment in unconsolidated joint venture	**31**	—	31	**(125)**	—	(125)
Net income (loss) from continuing operations	**$ 3,218**	4,033	$ 7,251	**$ (11,158)**	12,358	$ 1,200
Net income from continuing operations per share - basic	**$ 0.26**		$ 0.59	**$ (0.90)**		$ 0.10
Net income from continuing operations per share - diluted	**$ 0.26**		$ 0.59	**$ (0.90)**		$ 0.10
Average shares outstanding-basic	**12,300**		12,300	**12,378**		12,378
Average shares outstanding-diluted	**12,322**		12,322	**12,378**		12,405

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FISCAL 2021 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS (CONT'D)

Notes

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we are now the sole owner with full control over this operation. The gain from bargain purchase represents the net assets acquired from this transaction that were more than the purchase price totaling $954,000.

(2) During the year ending May 3, 2020, we incurred asset impairment charges totaling $13.7 million that pertained to goodwill and certain intangible assets. Of this $13.7 million, $11.5 million, and $2.2 million were associated with the mattress fabrics segment and upholstery fabrics segment, respectively.

(3) The $70 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

(4) The $4.9 million adjustment for the year ending May 2, 2021, mostly represents an $8.5 million non-cash income tax charge to record a full valuation allowance against the company's U.S. net deferred income tax assets, partially offset by a $3.6 million non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with U.S. Treasury regulations enacted during the first quarter regarding Global Intangible Low-Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017.

(5) The $1.3 million adjustments for the year ending May 3, 20201, represents the income tax effects from asset impairments totaling $3.0 million, partially offset by $1.5 million of GILTI, and $120,000 related to the change in our valuation allowance against our U.S. state loss carryforwards and other credits.