

CULP, INC.

Investor Information

September 1, 2021



CULP

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 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 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 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.

CULP AT A GLANCE

- ◆ Manufactures, sources, and markets mattress fabrics and upholstery fabrics for the furniture and bedding industries in North America and internationally.
- ◆ Global manufacturing and sourcing operations in the U.S., Canada, China, Haiti, Vietnam, and Turkey.
- ◆ Major clients include: Ashley Furniture, Casper, Corsicana, Flexsteel, Fusion Furniture, Kuka Home, La-Z-Boy, Resident Home, Serta Simmons Bedding, Tempur+Sealy, and others.
- ◆ Transformed business model.
- ◆ Founded in 1972.
- ◆ Experienced, long-term management team.

◆ Culp Business Segments

- Mattress Fabrics - Woven jacquard, knitted, including mattress covers, and converted fabrics for use in the production of bedding products
- 53% of sales in FY 2021



- Upholstery Fabrics - For use in the production of residential and commercial upholstered furniture
- 47% of sales in FY 2021



CULP KEY FACTS

Key Facts

- ◆ NYSE : CULP
- ◆ Annual Indicated Dividend: \$0.44
- ◆ Dividend Yield: 3.34%⁽¹⁾
- ◆ 52-Week Range: \$11.41 - \$17.88 ⁽²⁾
- ◆ Shares Outstanding: 12,278,094⁽³⁾
- ◆ FY2021 Revenues: \$300 million
- ◆ Experienced, Long-Term Management Team

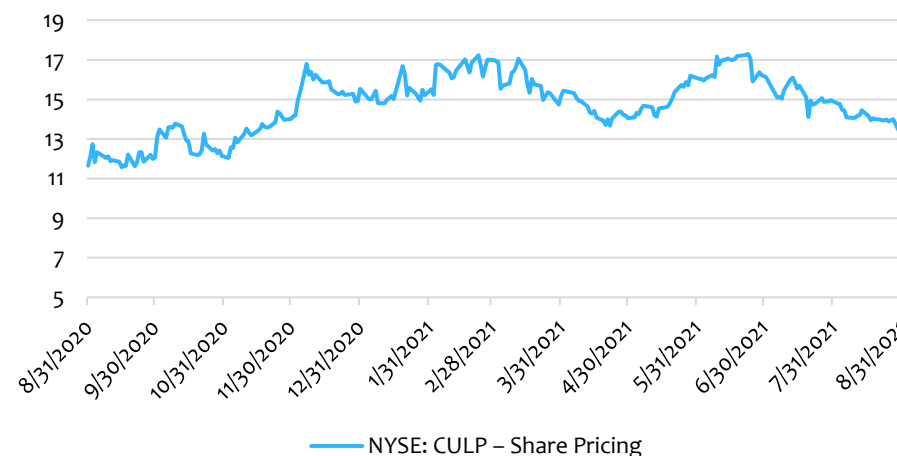
Capital Structure

- ◆ Strong Balance Sheet
- ◆ Total Cash & Investments: \$44.0 million ⁽³⁾
- ◆ No Outstanding Debt ⁽³⁾
- ◆ Shareholders' Equity: \$129.5 million ⁽³⁾

Other

- ◆ Full-time Employees Worldwide : 1,507 ⁽³⁾
- ◆ Fiscal Year Ends: Sunday closest to April 30
- ◆ Public Accounting Firm: Grant Thornton
- ◆ Website: www.culp.com
- ◆ Corporate Headquarters: High Point, NC

NYSE: CULP - Share Pricing

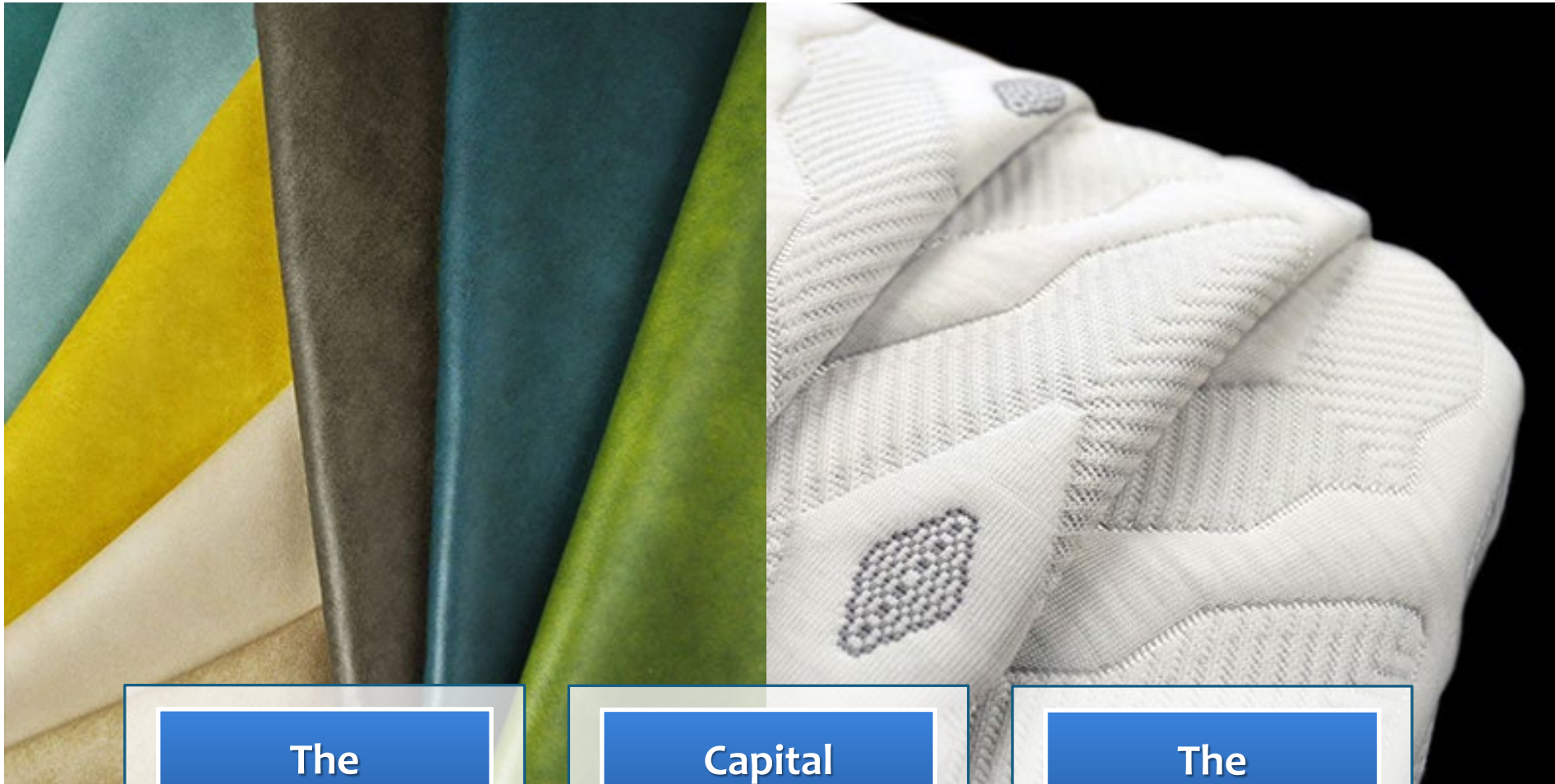


⁽¹⁾ Based on annual indicated dividend of \$0.44 per share and closing stock price of \$13.17 on August 31, 2021.

⁽²⁾ As of August 31, 2021

⁽³⁾ As of August 1, 2021

INNOVATION LEADER, FOCUSED ON HIGH PERFORMANCE



The
Company

Capital
Allocation

The
Platforms

KEY INVESTMENT POINTS

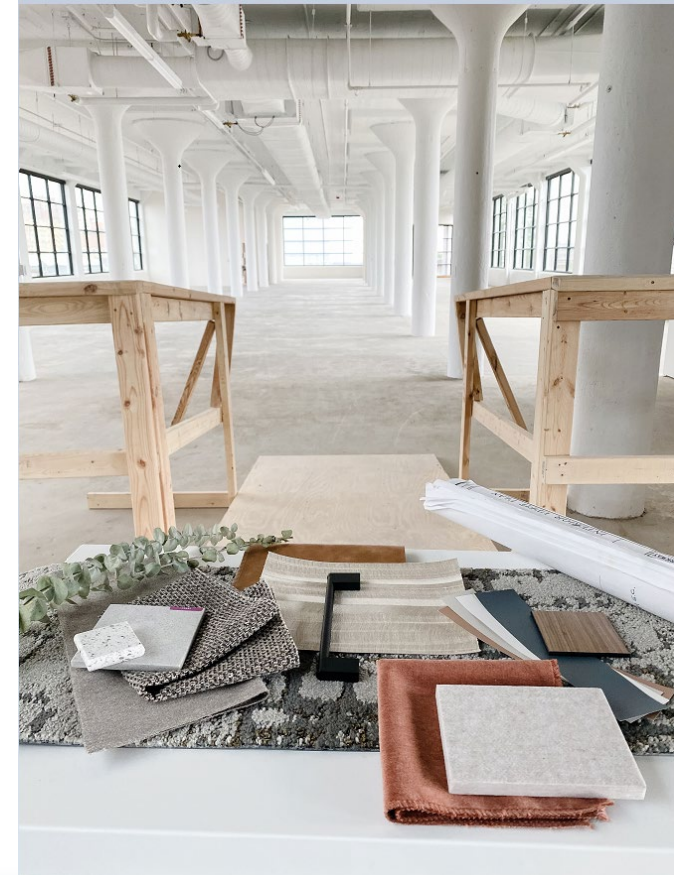
- ◆ Profitable mattress fabrics and upholstery fabrics businesses with a leading market share
- ◆ Growth in U.S. housing and greater consumer focus on home environment, leading to increase in discretionary spending on home furnishing products
- ◆ Scalable multi-country platform
- ◆ Experienced and dedicated innovation and design capabilities in both businesses
- ◆ Stable, long-term supply chains in both businesses
- ◆ Strong balance sheet position and disciplined use of capital
- ◆ Significant free cash flow generation over multiple years
- ◆ Since June 2011, the company has returned approximately \$71 million to shareholders in regular quarterly and special dividends and share repurchases

RECENT STRATEGIC INITIATIVES

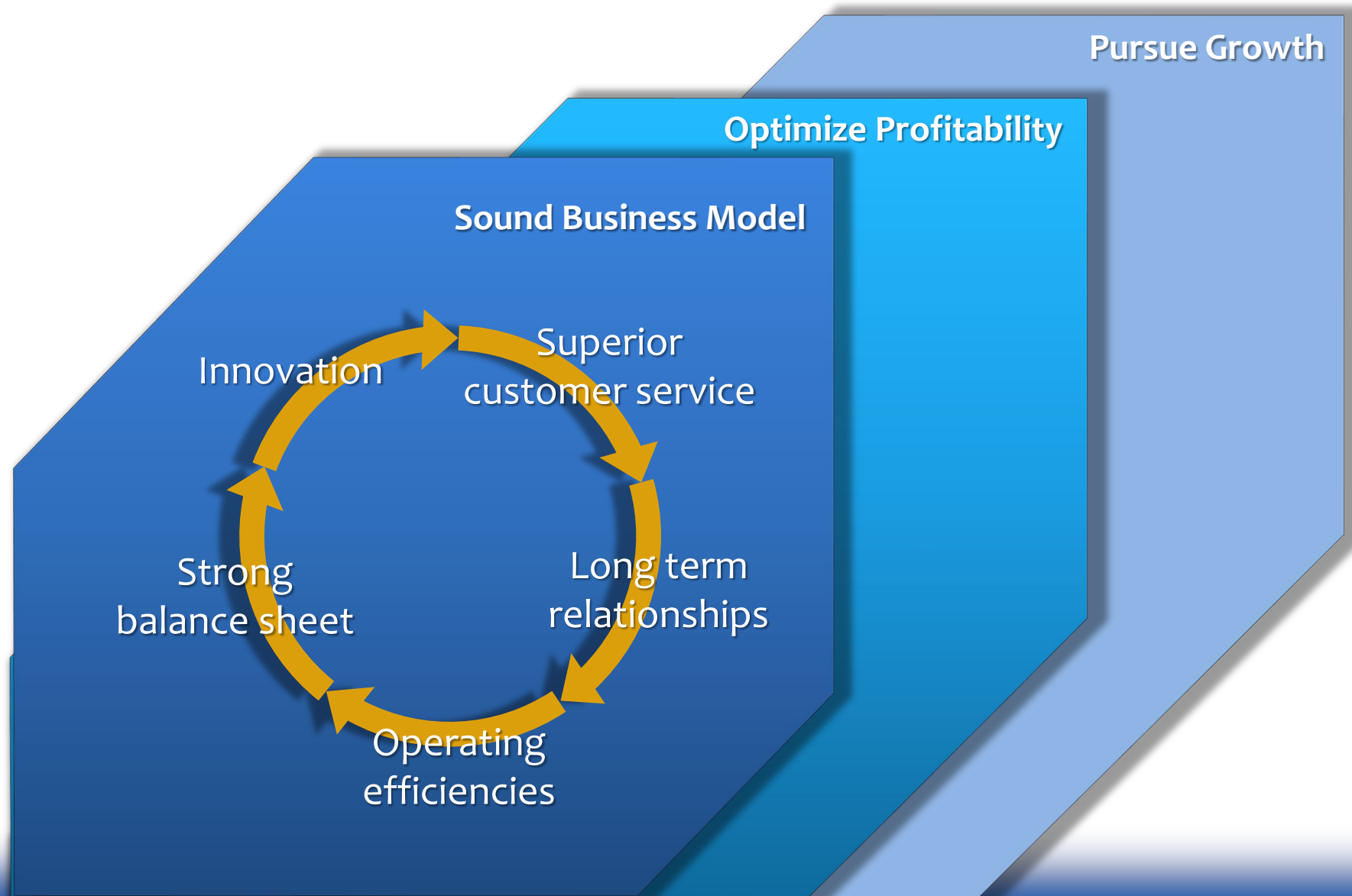
- ◆ Currently expanding capacity for cut and sewn upholstery kits with a new production facility in Haiti (expected to be complete during second quarter of FY 2022) to support committed demand from existing customer
- ◆ Expanded cut and sewn mattress covers in both Haiti and Asia, including increased capacity in Haiti through recent acquisition of remaining 50% ownership interest in existing joint venture
- ◆ Implemented multi-year plant consolidation and cost-management projects in mattress fabric operations in United States and Canada
- ◆ Invested in additional equipment to increase capacity for mattress fabric operations in North America
- ◆ Leveraged global platform during pandemic to meet surge in demand and address global supply chain challenges
- ◆ Price increases implemented in both businesses, effective first quarter of FY 2022, to help offset higher freight and raw material costs and ongoing China foreign exchange rate fluctuations; additional surcharge being implemented in both businesses during the second quarter of FY 2022 to help cover continued inflationary pressures
- ◆ Currently evaluating expansion of Vietnam platform to add fabric production capabilities to existing cut and sew sourcing
- ◆ Focusing on progress on ESG initiatives for FY 2022

RECENT STRATEGIC INITIATIVES (cont'd)

- ◆ New innovation campus opening in downtown High Point, North Carolina, during the second quarter of FY22. This design-driven space will bring together the company's most innovative and talented minds to foster collaboration across divisions and provide an everyday space to gather, meet with customers, develop new products, and showcase the company's technologies and innovations from fabric to sewn cover.



PRINCIPLES UNDERLYING OUR SUCCESS



CAPITAL ALLOCATION DISCIPLINE

- ◆ Culture emphasizing stewardship in capital utilization
- ◆ Focus on solid free cash flow generation
- ◆ Incentive compensation based on Economic Value Added (EVA) principles since 2011*



Organic Growth

- Fund working capital
- Fund Cap Ex for mattress fabrics
- Pay down debt

Acquisitions

- Will continue to evaluate strategic opportunities
- Must meet strict criteria
 - Not capital intensive
 - Low risk
 - Don't overpay
 - Cultural fit

Shareholder Value

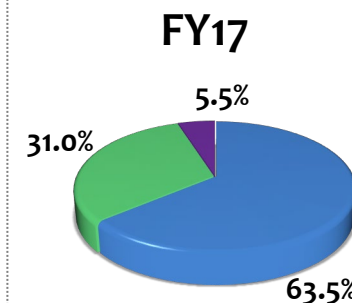
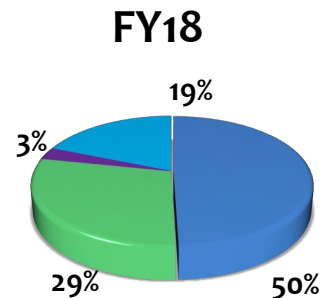
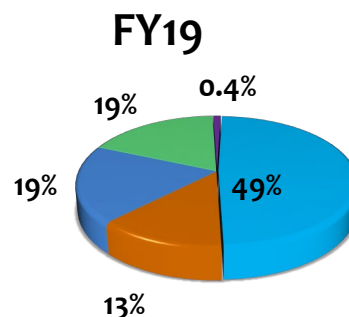
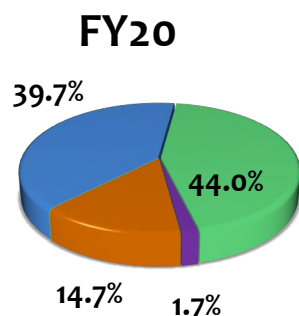
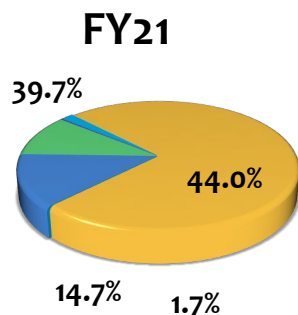
- Annual dividend of \$0.44
- Consider share repurchases or special dividends when adequate cash available, no need for additional Cap Ex, no potential acquisition opportunities, & no major economic concerns

Build Excess Cash

- If business or economic outlook is such that we decide against repurchasing shares and/or paying a special dividend, then we will build cash

**For fiscal 2021 and fiscal 2022, to support management's focus on liquidity and profitability in volatile environment, incentive compensation has been based on adjusted measures of free cash flow and operating income.*

CAPITAL ALLOCATION

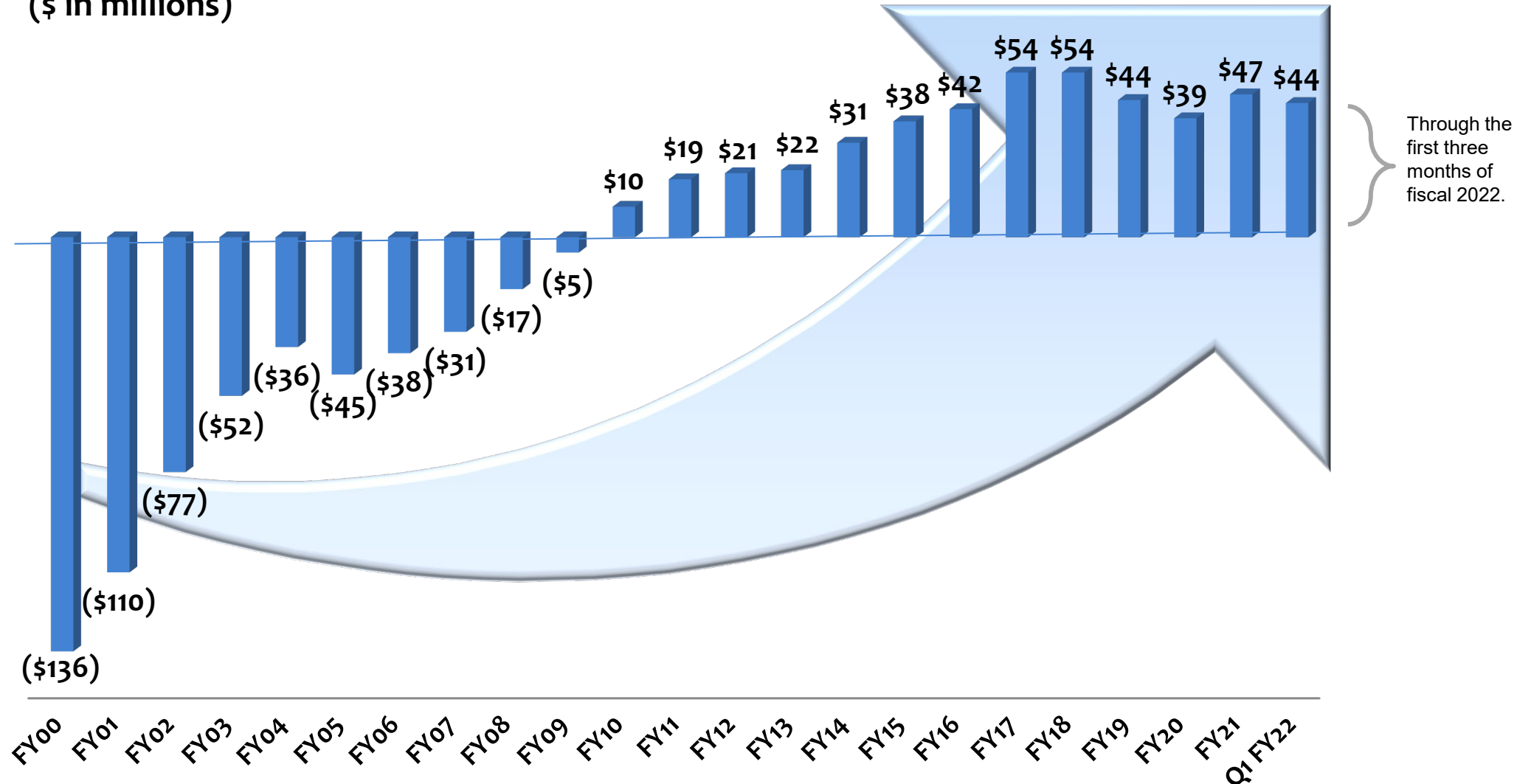


	FY21	FY20	FY19	FY18	FY17
Acquisitions	\$0.9	—	\$12.1	\$4.5	—
Investment in Joint Venture	\$0.1	\$0.2	\$0.1	\$0.7	\$1.1
Cap Ex, including payments that are vendor financed	\$6.7	\$4.6	\$4.7	\$11.8	\$12.9
Dividends	\$5.3	\$5.1	\$4.7	\$6.8	\$6.3
Share Repurchases	—	\$1.7	\$3.3	—	—
Debt Repayments	\$38.4	—	—	—	—
Total Capital Spent	\$51.4	\$11.6	\$24.9	\$23.8	\$20.3

- Acquisitions
- Cap Ex
- Dividends
- Share Repurchases
- Debt Repayments
- Investment in Joint Venture

TRANSFORMATION – NET(DEBT)CASH*

(\$ in millions)



*Net (debt) cash = Cash and investments minus total debt, which includes current maturities of long-term debt, long-term debt, and amounts outstanding under lines of credit.

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CULP HOME FASHIONS

Mattress Fabrics Division

www.culphomefashions.com

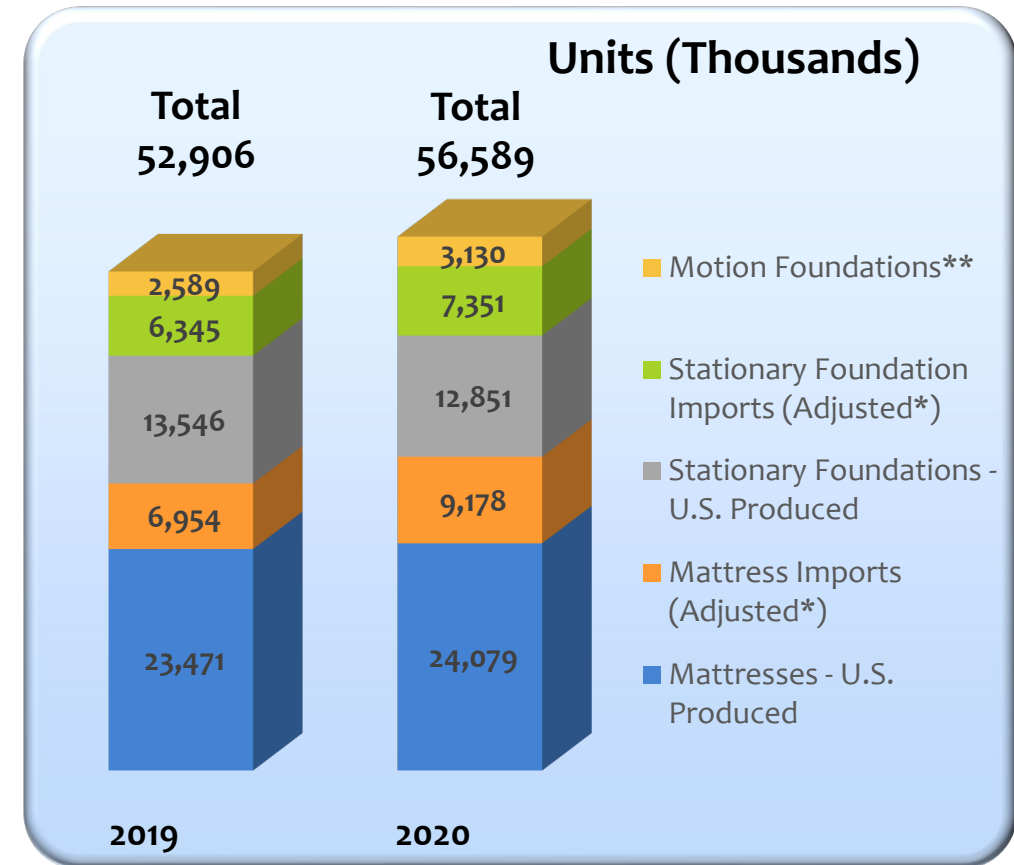
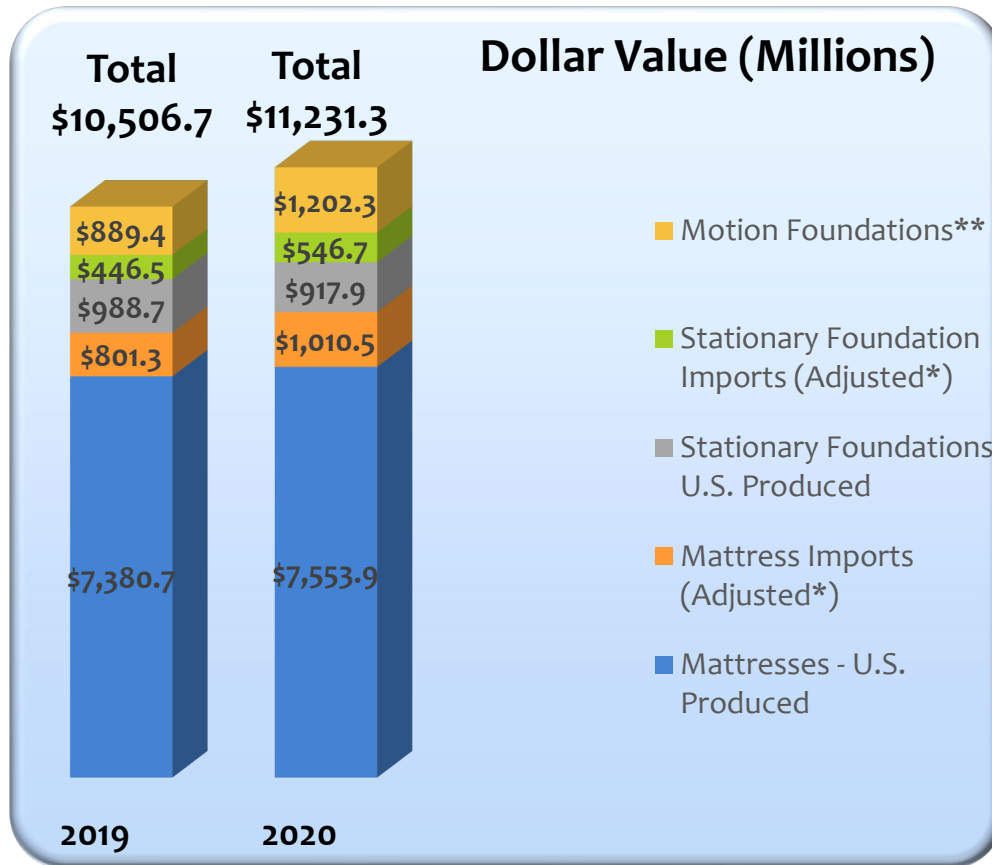


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Mattress Fabrics Industry Overview

TOTAL U.S. MATTRESS MARKET (INCLUDING STATIONARY AND MOTION FOUNDATIONS)

Total U.S. Mattress Market for 2019 - 2020



Source – International Sleep Products Association (ISPA) 2020 Mattress Industry Trends Report

*Adjusted Imports are adjusted +20% for equalization factor.

**Includes all channels for Motion Foundations

TOP 15 U.S. BEDDING PRODUCERS

		Estimated U.S. wholesale bedding shipments in \$ millions		
Rank	Company	2020	2019	% Change
1	Sealy	\$1,646	\$1,436	14.6%
2	Tempur-Pedic	\$1,378	\$1,115	23.5%
3	Simmons	\$1,094	\$1,229	(11.0)%
4	Serta	\$974	\$1,205	(19.0)%
5	Sleep Number	\$669	\$660	1.5%
6	Ashley Furniture Inds.	\$425	\$367	15.8%
7	Corsicana	\$320	\$297	7.7%
8	Therapedic	\$184	\$170	8.0%
9	Restonic	\$149	\$129	15.5%
10	Sherwood	\$140	\$155	(9.7)%
11	Symbol	\$125	\$138	(9.4)%
12	Kingsdown	\$98	\$103	(4.9)%
13	Englander	\$95	\$111	(14.4)%
14	E.S. Kluft	\$94	\$115	(17.8)%
15	King Koil	\$91	\$91	Even
Total		\$9,502	\$9,340	0.4%

Source: Furniture Today, June 21-27, 2021

MATTRESS INDUSTRY – RECENT DEMAND TRENDS

- ◆ COVID-19 pandemic has generated increased consumer demand for overall comfort and wellness at home, with more discretionary spending on home furniture products, including mattresses
- ◆ Expanding growth opportunities for bed-in-a-box mattress covers, both in e-commerce and traditional retail
- ◆ Ongoing disruption in domestic mattress industry relating to low- priced mattress imports that moved from China to other countries
- ◆ Domestic mattress industry appears to be benefitting from preliminary anti-dumping duties imposed by U.S. Department of Commerce on mattress imports from seven countries; benefits expected to continue during second quarter of fiscal 2022 and beyond
- ◆ Industry promoting benefits of sleep for overall health
 - Mattress innovation is more than comfort. Today's consumers are focused on health, wellness, energy from sleep, and sustainability efforts
- ◆ Mattress industry has become a more decorative and innovative business



CULP, INC.



CULP HOME FASHIONS

Operational Review



CULP HOME FASHIONS IS MARKET LEADER

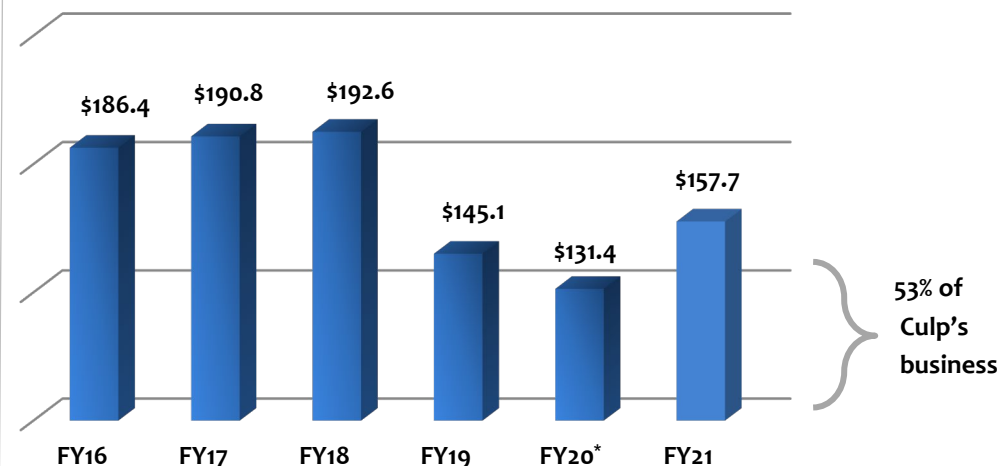
Business Today

- ◆ We believe that we are the largest producer of mattress fabrics in North America
 - Facilities in the U.S., Canada, and Haiti
- ◆ Global manufacturing and sourcing operations in the U.S., Canada, Asia, Haiti, and Turkey

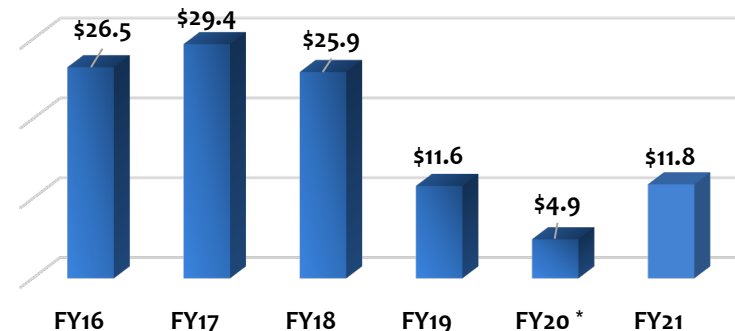
Strong Competitive Advantages

- ◆ Design creativity, product innovation, & marketing point-of-purchase
- ◆ Globally competitive cost manufacturer with flexible & scalable platform
- ◆ Leading provider in all major categories
- ◆ World class customer service & distribution
- ◆ Global cut & sewn covers operation with on-shore, near-shore, and off – shore capabilities
- ◆ Over \$100 million invested (Cap Ex and acquisitions) since 2005; expansion since 2016 included consolidation & addition of North American distribution platform
- ◆ Complete vertical integration within Canadian platform supporting full complement of finished products
- ◆ Commitment to environmental responsibility with landfill-free goal met at Stokesdale and High Point, NC facilities in 2020; ongoing development of products using recycled yarn

Mattress Fabric Sales (\$ millions)



Mattress Fabric Operating Income (\$ millions)



* Results significantly affected by COVID-19 pandemic in fourth quarter

WELL POSITIONED IN CHANGING MATTRESS MARKET

**GROWTH
THROUGH
SPECIALIZATION**

**CULP
INNOVATION**

Consumer-
focused
innovation



Technology &
Marketing,
including 3D
mapping via “Re-
Imagine™ Culp
Home Fashions”



Upholstery-type
look in
mattresses &
sewn covers



Slitting /
pre-cut
border
capabilities



Shearing –
unique look
allowing
dramatic pops
of color



Stretch knits
for new
specialty/hybrid
bedding



Flame retardant
(FR) lamination
to wovens and
knits

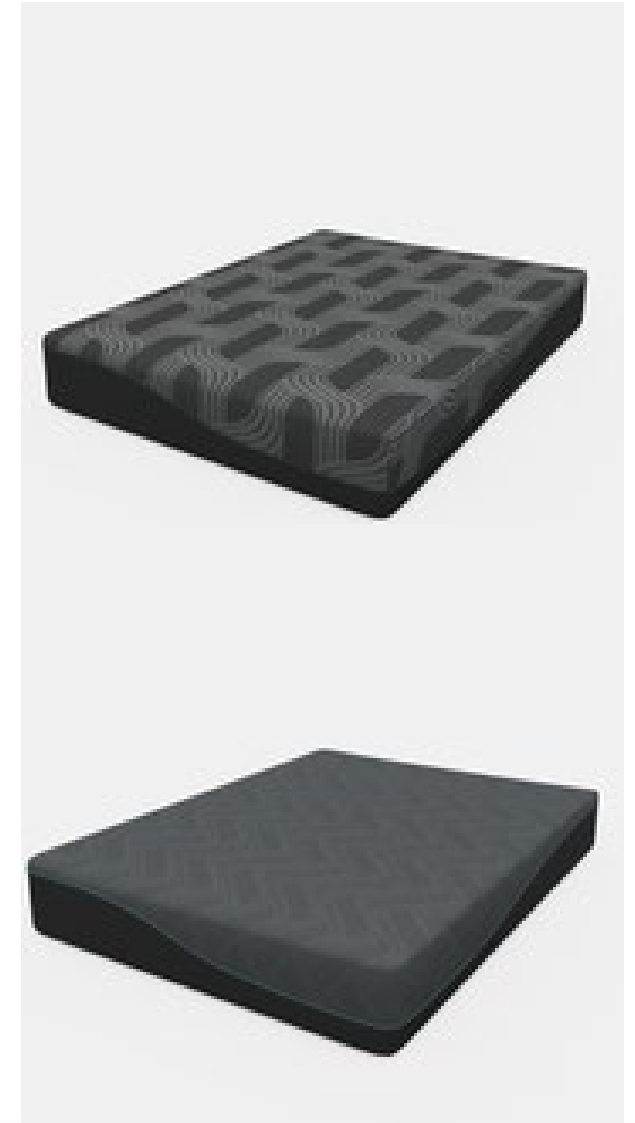


Design creativity, product innovation, and point-of-purchase marketing

CULP HOME FASHIONS AT HOME



CULP HOME FASHIONS INNOVATIVE STYLING



MATTRESS FABRICS KEY CUSTOMERS



CULP, INC.

CULP
UPHOLSTERY
F A B R I C S

Operational Review



MARKET LEADER IN UPHOLSTERY FABRICS

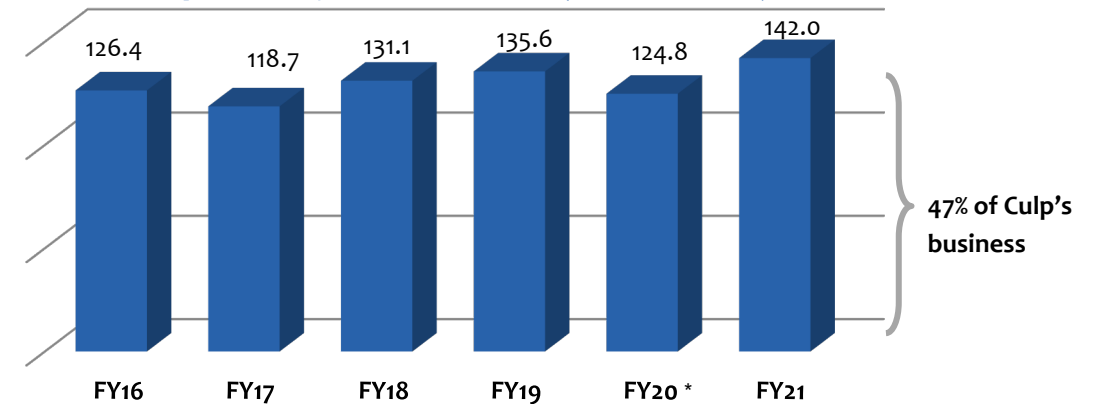
Business Today

- ◆ One of the largest suppliers of residential furniture upholstery fabrics to the industry
- ◆ Recovering hospitality segment
 - Providing fabrics for furniture
 - Window treatments and soft goods
- ◆ Global operations
 - 3 plants in China, sourcing in Vietnam and Turkey; new plant under construction in Haiti for cut & sewn upholstery kits

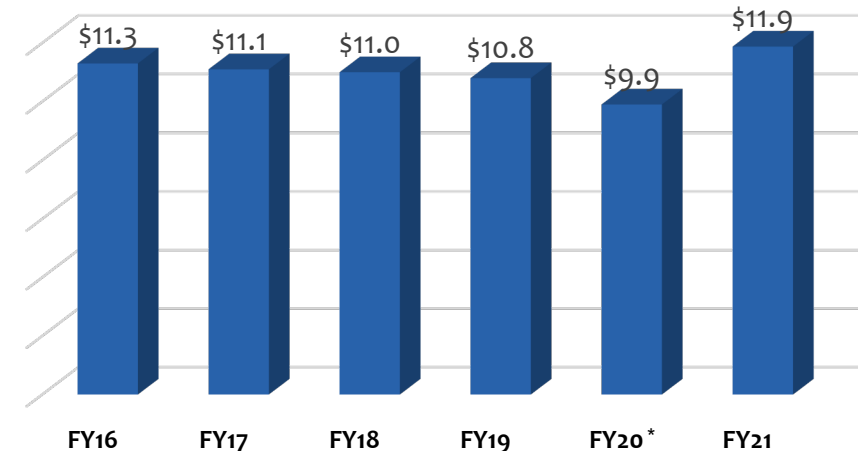
Strong Competitive Advantages

- ◆ Trusted business partner
- ◆ Product innovation and design trend leader
- ◆ Diverse product range, with emphasis on performance products
- ◆ Globally competitive cost structure
- ◆ Scalable Asian platform, with U.S. quality and service standards
- ◆ Experienced management team throughout global organization
- ◆ Stable and reliable global supply chain
- ◆ Exceptional quality, service, and delivery performance

Upholstery Fabric Sales* (\$ in millions)



Operating Income* (\$ in millions)



*Results significantly affected by COVID-19 pandemic in fourth quarter

CUF STRATEGIC BUSINESS MODEL

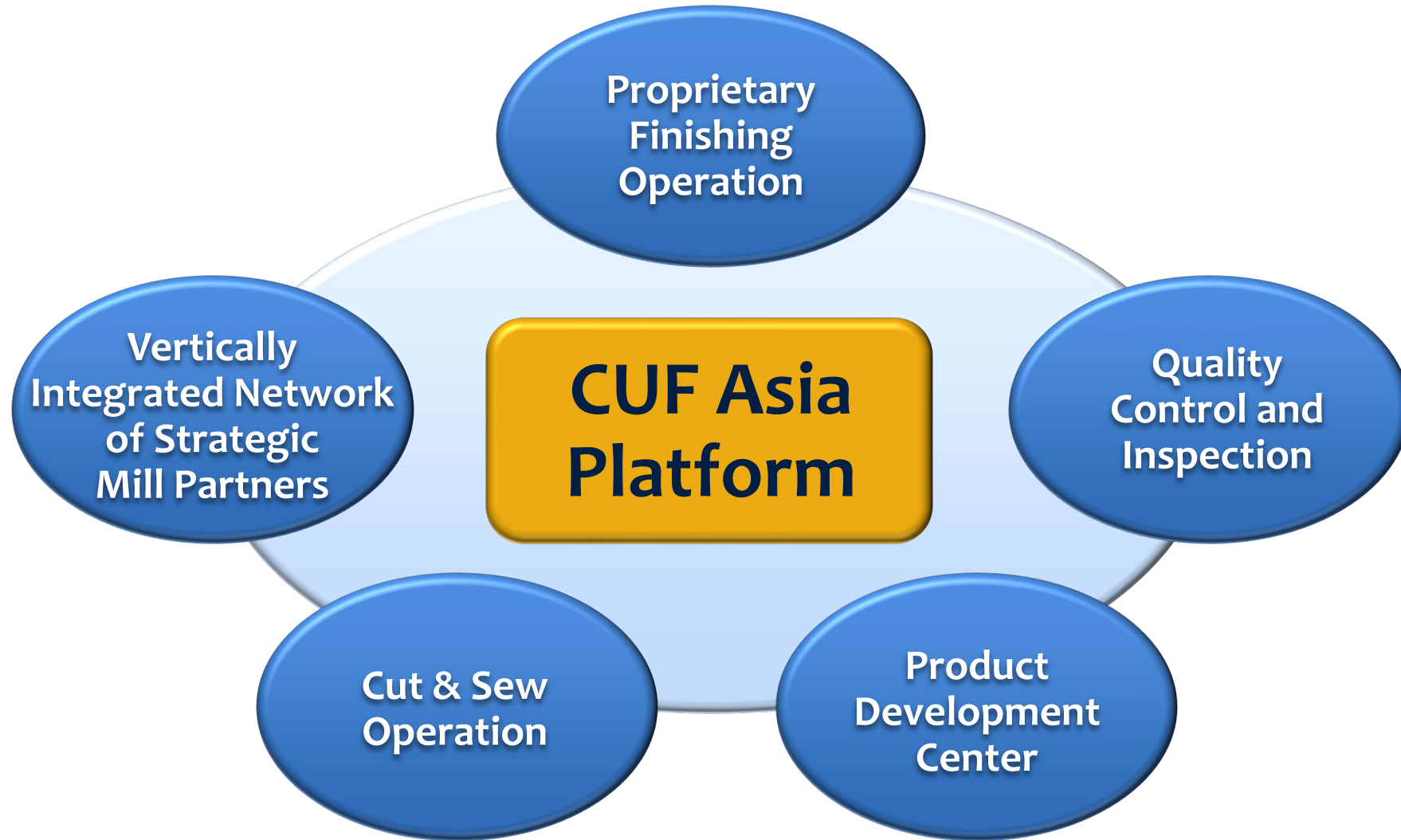
- ◆ Leader in product innovation and design trends, including LiveSmart®, LiveSmart Evolve®, LiveSmart Outdoor®, LiveSmart Ultra™, and LiveSmart Barrier Plus™
- ◆ U.S. based company with a flexible and agile global platform capable of supplying our customers worldwide
- ◆ Mix of owned manufacturing and distribution facilities combined with a global network of strategic supply partners
- ◆ Multiple distribution options in the U.S., Canada, and Asia
- ◆ Flexibility to provide both roll goods and sewn kits
- ◆ Focused on environmental and social responsibility



CULP UPHOLSTERY FABRICS COLOR STORIES



ASIA BUSINESS MODEL



READ WINDOW PRODUCTS

- ◆ Acquired Read Window Products in Q4 FY18, a source for custom window treatments and other soft good products for hospitality industry
- ◆ Expanded the product range for the hospitality market to become a more complete room source for fabric
- ◆ A turn-key provider of window treatments offering
 - Measuring
 - Sourcing
 - Fabrication and Installation Services
- ◆ Combines Culp's outstanding design and global production capabilities with Read Window Products' expertise and strong customer relationships



MULTIPLE UPHOLSTERY FABRICS INITIATIVES

Extend core by leveraging innovation and global platform

- Expand strong brand of performance products under LiveSmart® umbrella
- Focus on environmental responsibility with LiveSmart Evolve®, our performance plus sustainability line
- Culp Express – domestic lead times with China value
- Expand Cut & Sew business

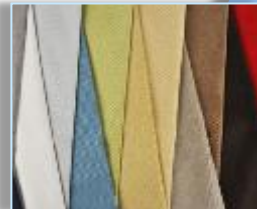
Cross market upholstery with Mattress Fabrics division

Expand market share in targeted markets

- Residential motion and stationary furniture
- Hospitality and commercial
- E-commerce market

Geographic expansion

- China - domestic market
- Asia Pacific region
- Haiti cut and sew facility



UPHOLSTERY FABRICS KEY CUSTOMERS



WHY INVEST IN CULP

The Company

Proven Performance Record

- Successfully navigated industry changes – emerged a winner
- Strong performance with consistent sales growth
- Experienced management team



Capital Allocation

Balanced Capital Deployment

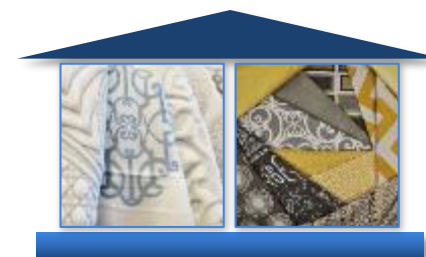
- Fund organic growth and capital expenditures
- Strategic acquisitions
- No outstanding debt
- Dividends and share repurchases

Returned over \$71 million to shareholders since 2011

The Platforms

Unique Operating Strengths

- Market leaders
- Unmatched capabilities
- Focus on product-driven strategy
- Exceptional design and innovation



CULP, INC.

Supplemental Information

EXECUTIVE MANAGEMENT

◆ Franklin N. Saxon – Executive Chairman of the Board (38 years with Culp)

- Joined Culp in 1983
- Served in various senior management roles including Chief Financial Officer, President of Culp Velvets/Prints division and Chief Operating Officer
- Named President and Chief Executive Officer in 2007
- Named Executive Chairman in 2020

◆ Robert G. Culp, IV – President and Chief Executive Officer (23 years with Culp)

- Employed with Culp since 1998
- Named President of Culp Home Fashions in 2004
- Named Chief Operating Officer in 2019
- Named President and Chief Executive Officer in 2020

◆ Boyd Chumbley – President, Culp Upholstery Fabrics (37 years with Culp)

- Joined Culp in 1984 as controller for an upholstery plant
- Held various senior management positions in finance, operations and manufacturing
- Leads upholstery fabrics division including China operation

◆ Cassandra Brown – President, Culp Home Fashions (38 years with Culp)

- Employed with Culp since 1983, serving in various capacities
- Named Chief Financial Officer of Culp Home Fashions in 2007, Executive Vice President in 2019, and President in 2020

EXECUTIVE MANAGEMENT (CONT'D)

- ◆ **Kenneth R. Bowling – Executive Vice President and Chief Financial Officer (24 years with Culp)**
 - Joined Culp in 1997 as controller for Culp Velvets/Prints division
 - Served as corporate controller and Vice President, Finance
 - Became Chief Financial Officer in 2007

- ◆ **Ashley Durbin – Vice President, General Counsel, and Corporate Secretary (2 years with Culp)**
 - Joined Culp in 2019
 - Previously worked with Culp as outside counsel in her role as a partner at the law firm of Robinson, Bradshaw & Hinson, P.A., in Charlotte, North Carolina

- ◆ **Teresa Huffman – Senior Vice President, Human Resources (23 years with Culp)**
 - Employed with Culp since 1986, serving in various human resources roles
 - Named Vice President, Human Resources in 2008
 - Named Senior Vice President, Human Resources in 2019

FIRST QUARTER 2022 HIGHLIGHTS

(\$ in millions)

GAAP	Q1 FY22	Q1 FY21	Change	
			\$	%
Sales	\$83.0	\$64.5	\$18.5	28.8%
Operating income	3.3	\$1.9	\$1.4	76.2%
Operating income margin	4.0%	2.9%		110 bp
Pre-tax income	\$3.2	\$1.5	\$1.7	107.0%
Pre-tax margin	3.8%	2.4%		140 bp
Net income (loss)	\$2.3	\$(2.7)*	\$5.0	NM
Net income (loss) per diluted share	\$0.18	\$(0.22)*	\$0.40	NM

* Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month period ending August 2, 2020, at the back of this presentation.

FIRST QUARTER 2022 HIGHLIGHTS

(\$ in millions)

Adjusted (Non-GAAP)*	Q1 FY22	Q1 FY21	Change	
			\$	%
Adjusted net income (loss)	\$2.3	\$1.0	\$1.3	134.9%
Adjusted net income (loss) per diluted share	\$0.18	\$0.08	\$.10	125.0%

* Refer to preceding Slide 36 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month period ending August 2, 2020, at the back of this presentation. The Reconciliation of Selected Income Statement Information to Adjusted Results only reflects adjustments for the first quarter of fiscal 2021, as there were no adjustments for the first quarter of fiscal 2022 (and, accordingly, the Q1 FY22 numbers shown in the table above reflect net income and net income per diluted share on a GAAP basis).

Q1 MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	Q1 FY22	Q1 FY21	Change	
			\$	%
Sales	\$43.1	\$36.1	\$7.0	19.3%
Operating Income (Loss)	3.6	1.8	\$1.8	95.7%
Operating Income Margin	8.4%	5.1%		330 bp
Depreciation	\$1.5	\$1.6	\$(0.1)	(6.7)%

Q1 UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	Q1 FY22	Q1 FY21	Change	
			\$	%
Sales	\$40.0	\$28.4	\$11.6	41.0%
Operating Income	\$2.3	\$2.1	\$0.2	7.3%
Operating Income Margin	5.7%	7.5%		(180) bp
Depreciation	\$0.2	\$0.2	\$0.0	7.3%

FREE CASH FLOW*

(\$ in millions)

	Q1 FY22	Q1 FY21
Net income	2.3	(2.7)
Depreciation, amortization, & stock-based compensation	2.1	2.1
Deferred taxes, other	(0.3)	3.7
Gross cash flow	4.1	3.1
Cash flow from working capital and changes in other assets/liabilities	(2.5)	7.5
Cash flow from operations	1.6	10.6
Capital expenditures, including payments that are vendor financed	(2.0)	(0.5)
Investment in unconsolidated joint venture	0.0	(0.1)
Other	(0.4)	0.0
Free cash flow	\$(0.8)	\$10.0

* See reconciliation at the back of this presentation.

ADJUSTED EBITDA

Reconciliation of Net Income to Adjusted EBITDA

	Quarter Ended November 1, 2020	Quarter Ended January 31, 2021	Quarter Ended May 2, 2021	Quarter Ended August 1, 2021	Trailing 12 Months August 1, 2021
Net income	\$ 2,384	\$ 2,082	\$ 1,485	\$ 2,250	\$ 8,201
Income tax expense	1,613	899	857	905	4,274
Interest income, net	(59)	(90)	(36)	(74)	(259)
Gain on bargain purchase	—	—	(819)	—	(819)
Depreciation expense	1,716	1,665	1,643	1,726	6,750
Amortization expense	117	115	116	121	469
Stock based compensation	348	292	485	274	1,399
Adjusted EBITDA	\$ 6,119	\$ 4,963	\$ 3,731	\$ 5,202	\$ 20,015
% Net Sales	8.0%	6.3%	4.7%	6.3%	6.3%

	Quarter Ended November 3, 2019	Quarter Ended February 2, 2020	Quarter Ended May 3, 2020	Quarter Ended August 2, 2020	Trailing 12 Months August 2, 2020
Net income (loss)	\$ 2,192	\$ (4,207)	\$ (27,825)	\$ (2,733)	\$ (32,573)
Loss before income taxes from discontinued operation	441	7,824	8,698	—	16,963
Income tax expense (benefit) from continuing operations	1,930	(973)	704	4,324	5,985
Interest income, net	(237)	(258)	(37)	(7)	(539)
Asset impairments from continuing operations	—	—	13,712	—	13,712
Restructuring credit	—	(35)	—	—	(35)
Depreciation expense - continuing operations	1,893	1,891	1,882	1,822	7,488
Amortization expense - continuing operations	102	102	117	118	439
Stock based compensation	313	364	(199)	126	604
Adjusted EBITDA	\$ 6,634	\$ 4,708	\$ (2,948)	\$ 3,650	\$ 12,044
% Net Sales	9.5%	6.9%	6.2%	5.7%	4.8%
% Over (Under)	(7.8)%	5.4%	N.M.	42.5%	66.2%

OPERATING WORKING CAPITAL

(\$ in millions)

	August 1, 2021	May 2, 2021	August 2, 2020
Accounts receivable, net	\$35.0	\$37.7	\$29.9
Inventories, net	58.6	55.9	40.4
Accounts payable	(45.3)	(42.5)	(25.7)
Accounts payable – capital expenditures	(0.0)	(0.3)	(0.3)
Operating working capital	\$48.3	\$50.8	\$44.3
Percent of sales*	14.5%	16.9%	17.1%
Days sales outstanding	37.6	42.8	41.2
Inventory turns	4.9	4.8	5.3
Days accounts payable outstanding**	58.5	58.0	44.3

* 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)

	Q1 FY22	Q4 FY21	Q1 FY21
Cash and cash equivalents	\$26.1	\$37.0	\$40.0
Short-term investments (Available for Sale)	9.7	5.6	1.0
Short-term investments (Held-to-Maturity)	1.7	3.2	5.1
Long-term investments (Held-to-Maturity)	6.6	1.1	1.3
Total cash and investments	\$44.1	\$46.9	\$47.4
Total debt	\$ 0.0	\$ 0.0	\$ 0.0
Net cash and investments	\$44.1	\$46.9	\$47.4
Shareholders' equity attributable to Culp, Inc.	\$129.5	\$129.0	\$125.9
Shares outstanding	12,276	12,313	12,292
Book value per share	\$10.55	\$10.48	\$10.24
Tangible Book value per share	\$10.32	\$10.23	\$9.97

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 (a non-cash income tax charge in connection with a full valuation allowance against the Company's U.S. net deferred income tax assets, as well as 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. The company has included this adjusted information in order to show operational performance excluding the effects of this non-cash income tax charge and non-cash income tax benefit, 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. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income or earnings per share 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, 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, additions to cash and investments, or other corporate purposes. 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.

Q1 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 AUGUST 2, 2020
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	As Reported August 2, 2020	Adjustments	August 2, 2020 Adjusted Results
Income before income taxes	\$ 1,524	—	1,524
Income tax expense (1)	(4,324)	3,691	(633)
Income from investment in unconsolidated joint venture	67	—	67
Net (loss) income	\$ (2,733)	3,691	958
Net (loss) income per share - basic	\$ (0.22)		\$ 0.08
Net (loss) income per share - diluted	\$ (0.22)		\$ 0.08
Average shares outstanding-basic	12,287		12,287
Average shares outstanding-diluted	12,287		12,294

Notes

- (1) The \$3.7 million adjustment represents a \$7.2 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 \$3.5 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 our first quarter regarding Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017.

RECONCILIATION OF FREE CASH FLOW

**RECONCILIATION OF FREE CASH FLOW
FOR THE THREE MONTHS ENDED AUGUST 1, 2021, AND AUGUST 2, 2020
(UNAUDITED)
(AMOUNTS IN THOUSANDS)**

Reconciliation of Free Cash Flow (1):

	FY 2022	FY 2021
A) Net cash provided by operating activities	\$ 1,571	10,581
B) Minus: Capital Expenditures	(1,953)	(500)
C) Minus: Investment in unconsolidated joint venture	—	(90)
D) Plus: Proceeds from the sale of long-term investments (rabbi trust)	—	39
E) Minus: Purchase of long-term investments (rabbi trust)	(403)	(78)
F) Effects of exchange rate changes on cash and cash equivalents	3	35
Free Cash Flow	<u>\$ (782)</u>	<u>9,987</u>