

# Fellow Shareholders:

**For over five decades, we have managed Culp's business through various economic cycles and dynamic industry conditions. Our long-term success is driven by our ability to respond to both the opportunities and challenges associated with a highly competitive, fashion-driven, and global industry. We are fortunate to operate in two established home furnishing markets as a leading supplier of mattress fabrics and upholstery fabrics. We have always been decisive with bold strategic actions to sustain our business and continue to meet the demands of our valued customers in both markets. We are proud of our legacy, and we are committed to maintaining our leadership position as a financially stable and trusted supplier of innovative fabrics for bedding and furniture manufacturers.**

Without question, the past year proved to be a challenging period for Culp and the industries we serve. The continued slowdown in demand for home furnishings, softer home sales, reduced discretionary spending on consumer durables, inflation concerns, and general economic uncertainty all played a role in creating a difficult market environment. Our results for fiscal 2024 reflect these challenging conditions, with lower consolidated sales compared to the prior year. We were actually making progress towards our stated improvement goals through the first nine months of the fiscal year, but we experienced a sharp decline in order levels in our fourth quarter, primarily related to demand pressures our customers faced beginning early calendar 2024.

In the face of these challenging macroeconomic conditions, we did experience some positive trends within our business during fiscal 2024. Overall, we demonstrated a significant year-over-year operating improvement, which we expect to further improve in fiscal 2025. Sales in our mattress fabrics segment were up 4.8 percent over fiscal 2023, as we strengthened our market position in an industry environment where domestic mattress unit trends were down compared to the prior year. Our upholstery fabrics business delivered consistent operating profits under tough industry conditions, primarily due to a more profitable

mix of sales, better inventory management, improved exchange rates, and reduced fixed costs. We were also pleased with the strong and growing contribution from our hospitality fabric and window treatment business. We have maintained a strong market position in both our mattress and upholstery fabrics businesses, and we are encouraged that our outstanding design creativity and product innovation have continued to drive solid product placements at improved pricing, which positions us for higher sales growth as market conditions improve. Importantly, we maintained a solid balance sheet in fiscal 2024, a distinct advantage for Culp, reflecting our relentless focus on disciplined financial management.

## **Decisive Actions to Restructure Operations Will Drive Improvement and Reduce Costs**

While we acknowledge the extraordinary challenges that affected our performance over the last year, we remain focused on the future and believe we are taking the necessary steps to position Culp for sustainable and profitable growth. Given the prevailing macro-economic conditions, we announced a major restructuring plan on May 1, 2024, primarily related to the mattress fabrics segment. The plan is intended to consolidate and right-size our business to be in line with current and expected demand levels, reduce fixed costs, and improve our margins and operating leverage.

The key initiatives include:

Consolidating the company's North American mattress fabrics operations, including the phased closure and sale of our manufacturing plant in Quebec, Canada, and moving knitting and finishing capacity from this plant to our facility in Stokesdale, North Carolina

Improving efficiency and through-put by optimizing volume and equipment in Stokesdale to reduce costs and improve quality

Transitioning the mattress fabrics segment's damask weaving operation to a strategic sourcing model through the company's long standing supply partners, enhancing competitiveness and value for our customers

Consolidating our Haiti sewn mattress cover operation (located in Northeast Haiti on the Dominican Republic border) from two leased facilities into one building, significantly reducing operating expenses at that location

Restructuring our upholstery fabrics finishing operation in China to align with current demand and continuing to leverage strategic supply relationships

Importantly, these strategic steps do not limit our ability to serve our current customers or grow our business, but rather will allow us to more effectively optimize our mix of global manufacturing capabilities and long-term sourcing partners.

With these actions fully implemented, we expect to realize \$10.0 to \$11.0 million in annualized cost and productivity savings, mostly in the mattress fabrics division, but approximately \$1.0 to \$1.5 million in annualized savings will come from reductions within unallocated corporate and shared services. Although these were very difficult decisions that resulted in a corresponding workforce reduction,

they are necessary steps for Culp to ensure a sustainable business model and return to profitability in this lower demand environment. We sincerely regret the impact on our affected associates, but we are grateful for the support we have received from our valued customers, suppliers, and employees as these relationships are all critical to our future success.

### **Consolidated Mattress Fabric (CHF) Operations Will Enhance Production Efficiency**

The changes we are making within CHF to remove redundancies in our business and transition to a more agile model will enhance our ability to grow profitably with a lower level of fixed assets. Our North American platform will be more efficient, and we will complement that platform with strong international options. Through this process, we are maintaining our preferred network of manufacturing and sourcing capabilities in the United States, Turkey, China, Vietnam and Haiti.

Since announcing the restructuring, we have made measurable progress with respect to our initiatives to optimize our production facilities and sourcing strategies. Productive work is already occurring with our partners on our damask weaving transition, and we have organized floor space to prepare for the knitting and finishing equipment relocation to Stokesdale. Our cut and sew mattress cover operations in Haiti have been consolidated. We are working with a broker to sell our Canadian facility and are hopeful this transaction will be completed in the second half of fiscal 2025, depending on market conditions and buyer interest.

As always, the key driver of our success is through product innovation, and we are delivering the latest style trends and bedding preferences to meet the demands of our valued customers and today's consumer. We are well positioned to offer a wide range of both mattress fabrics and sewn covers with our diversified supply chain. Our production and sourcing capabilities also support our innovation strategy and enhance our ability to win new product placements and extend

our market reach. Notably, we will continue to maintain the outstanding customer service and distribution capabilities that are synonymous with the Culp brand.

### **Upholstery Fabrics (CUF) Business Benefits from Flexible Platform**

Our CUF business benefits from a flexible global platform, which has been a key competitive advantage for Culp, and we continue to balance our internal production and sourcing capabilities to align with customer demand. As part of our announced restructuring plan, we made the decision to rationalize our upholstery fabrics finishing operation in China and further leverage our strategic supply relationships in Asia. This adjustment, which we completed in early fiscal 2025, allows us to reduce our operating costs while maintaining our ability to support our customers.

We believe our product-driven strategy and innovative fabric offerings will continue to drive upholstery fabric sales, especially as demand trends improve. Our diverse product mix and creative designs are hallmarks of Culp, and we strive to be forward focused with our customers and stay ahead of consumer trends. Our industry-leading portfolio of performance fabrics marketed under the LiveSmart® brand has resonated with consumers looking for furniture to match their lifestyles, with a high priority on sustainability and stain-resistant, child-friendly and pet-friendly fabrics. These popular products now account for approximately 40 percent of our upholstery fabric sales, and we are excited about the opportunities for continued growth with these product lines.

As travel and tourism have rebounded following the COVID-19 pandemic, our commercial and hospitality business has been a solid performer for Culp and represented approximately 32 percent of our upholstery fabric sales during fiscal 2024. Our Read Window Products business continues to grow, and we are expanding our roller shade capacity and production during the first quarter of fiscal 2025.

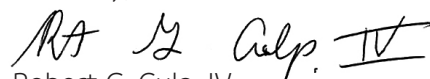
### **Key Success Factors Driving Improvement in Fiscal 2025**

Looking ahead, as we work through our restructuring actions, we are diligently focused on winning new placements in both businesses to drive sales and increase margins. While we expect the macroeconomic environment will continue to pressure consumer spending trends over the near term, we are working to manage the aspects of our business we can control. We believe the strategic actions we are taking will position us for profitable growth opportunities, but improved macroeconomic conditions and end-consumer support will be the catalysts to drive recovery and sustain our future sales growth to normalized levels

We are fortunate to have an experienced leadership team committed to improvement and profitable growth. Importantly, our confidence for the future lies in our proven ability to navigate many challenges and achieve favorable outcomes throughout our 52 years in business. We believe fiscal 2025 will be an important transition year for Culp. As we focus on the execution of our strategy, we will continue to leverage our competitive strengths and key success factors - a diverse product mix with a relentless focus on innovation; strong, long-term partnerships with customers and vendors; a leading market position in both businesses; a strategic global manufacturing and sourcing platform; and most importantly, a solid balance sheet with available liquidity to support our business. In addition, we are grateful for the unwavering support from our valued customers, suppliers, team of associates and Board of Directors, and we are confident that the strength of these relationships will help drive our recovery.

Above all, we remain committed to delivering sustainable results and enhancing value for our shareholders over the long term.

Sincerely,



Robert G. Culp, IV  
President and Chief Executive Officer