

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) September 5, 2019

**Culp, Inc.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

1-12597

(Commission File Number)

56-1001967

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

1823 Eastchester Drive  
High Point, North Carolina 27265  
(Address of Principal Executive Offices)  
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

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

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

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

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

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

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

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 12, 2019 for the fiscal year ended April 28, 2019, and our subsequent periodic reports filed with the Securities and Exchange Commission.

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

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

On September 5, 2019, we issued a news release to announce our financial results for our first quarter ended August 4, 2019. The news release is attached hereto as Exhibit 99(a).

Also, on September 5, 2019, we released a Financial Information Release containing additional financial information and disclosures about our first quarter ended August 4, 2019. The Financial Information Release is attached hereto as Exhibit 99(b).

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

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

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

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

**Item 9.01 (d) - Exhibits**

99(a) News Release dated September 5, 2019

99(b) Financial Information Release dated September 5, 2019

## SIGNATURES

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

CULP, INC.  
(Registrant)

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

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

Dated: September 5, 2019

## EXHIBIT INDEX

Exhibit Number

Exhibit

[99\(a\)](#)

[News Release dated September 5, 2019](#)

[99\(b\)](#)

[Financial Information Release dated September 5, 2019](#)



Investor Contact: Kenneth R. Bowling  
Chief Financial Officer  
336-881-5630

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

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**CULP ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL 2020**

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HIGH POINT, N.C. (September 5, 2019) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the first quarter ended August 4, 2019. This first quarter of fiscal 2020 included 14 weeks compared with 13 weeks for the first quarter of fiscal 2019.

**Fiscal 2020 First Quarter Highlights**

- Net sales were \$74.8 million, up 4.7 percent over the prior year, with mattress fabrics sales up 12.5 percent and upholstery fabrics sales down 7.6 percent. Net sales for home accessories were \$4.3 million, with no full period of comparable prior-year sales as a result of the June 22, 2018, investment in eLuxury.
- Pre-tax income was \$2.8 million, compared with \$1.9 million for the prior-year period. The results for the first quarter of fiscal 2019 included restructuring and related charges of \$2.0 million related to the company's closure of the Anderson, South Carolina, production facility. Excluding these charges, pre-tax income for the first quarter of fiscal 2019 was \$4.0 million. (See reconciliation tables on page 7).
- Net income attributable to Culp, Inc. shareholders was \$1.3 million, or \$0.11 per diluted share, compared with net income of \$957,000, or \$0.08 per diluted share, in the prior-year period. The results for the first quarter of 2019 include the restructuring and related charges noted above.
- The company's financial position reflected total cash and investments of \$44.2 million and outstanding borrowings totaling \$925,000 as of August 4, 2019, for a net cash position of \$43.3 million. (See summary of cash and investments table on page 6).
- Cash flow from operations and free cash flow were \$2.0 million and \$986,000, respectively, compared with cash flow used in operations and free cash flow of \$(1.9 million) and \$(4.6 million), respectively, for the prior-year period. (See reconciliation table on page 8).
- The company announced a quarterly cash dividend of \$0.10 per share, payable in October.
- The company's Board of Directors has approved additional share repurchases up to a total of \$5.0 million.

**Financial Outlook**

- The projection for the second quarter of fiscal 2020 is for overall sales to be comparable to the same period last year. Pre-tax income for the second quarter of fiscal 2020 is expected to be in the range of \$3.2 million to \$3.8 million. Pre-tax income for the second quarter of fiscal 2019 was \$4.3 million, which included a net benefit of \$543,000 in restructuring and related charges and credits and other non-recurring items. Excluding these charges, pre-tax income for the second quarter of fiscal 2019 was \$3.7 million.
- Free cash flow for fiscal 2020 is expected to be comparable to last year's results, even with an uncertain geopolitical environment.

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## First Quarter Fiscal 2020 Financial Results

For the first quarter ended August 4, 2019, net sales were \$74.8 million, compared with \$71.5 million a year ago. On a pre-tax basis, the company reported income of \$2.8 million, compared with pre-tax income of \$1.9 million for the first quarter of fiscal 2019. The financial results for the first quarter of fiscal 2019 included approximately \$2.0 million in restructuring and related charges, due to the closure of the company's Anderson, South Carolina, production facility. Excluding these charges, pre-tax income for the first quarter of fiscal 2019 was \$4.0 million.

The company reported net income attributable to Culp, Inc. shareholders of \$1.3 million, or \$0.11 per diluted share, for the first quarter of fiscal 2020, compared with net income of \$957,000, or \$0.08 per diluted share, for the first quarter of fiscal 2019. The results for the first quarter of fiscal 2019 include the restructuring and related charges noted above.

The effective income tax rate for the first quarter of fiscal 2020 was 59.1 percent compared with 46.5 percent for the same period a year ago. The increase in the company's effective income tax rate reflects the continued shift in mix of taxable income that is now mostly earned by the company's foreign operations located in China and Canada at higher income tax rates in relation to the U.S. Additionally, this current mix of taxable income has resulted in a significant increase in the company's Global Intangible Low Taxed Income (GILTI) Tax, which represents as U.S. income tax on the company's foreign earnings. Importantly, income taxes incurred in the U.S. on a cash basis for fiscal 2020 are projected to be minimal due to the projected utilization of the company's U.S. Federal net operating loss carryforwards.

Commenting on the results, Frank Saxon, chairman and chief executive officer of Culp, Inc., said, "We are pleased to report a solid start to fiscal 2020 with our overall sales in line with expectations. We are especially encouraged to see higher sales in mattress fabrics, following a difficult year of declining sales related to the influx of low-cost mattress imports from China, as well as retail disruption. The domestic mattress industry appears to be stabilizing, and we are realizing some benefits from the punitive anti-dumping measures announced by the U.S. government early in the first quarter. We are optimistic our business will continue improving with the further reduction of excess inventory of China mattress imports. We have also faced considerable external challenges in the upholstery fabrics business due to the ongoing international trade disputes and recently imposed additional tariffs. However, in spite of lower sales and uncertain market conditions, our upholstery fabrics business showed improved profitability for the first quarter of fiscal 2020. Additionally, we continue to evaluate and develop our strategy for Culp Home Accessories, our finished products business. We are focused on the best way to leverage this new online sales platform and expand our market reach with new products and customers.

"In each of our businesses, we executed our product-driven strategy with a relentless emphasis on design creativity and product innovation. With the support of our flexible and growing global platform, we are confident we can sustain our strong competitive advantage and respond to the changing demand trends of our diverse customer base. Importantly, we have the financial strength to pursue our growth strategy," added Saxon.

### Mattress Fabrics Segment

Mattress fabrics sales for the first quarter were \$38.7 million, up 12.5 percent compared with \$34.4 million for the first quarter of fiscal 2019. Notably, this is the first quarter over quarter sales increase since the third quarter of fiscal 2018.

"We were energized by the return to a positive sales trend for mattress fabrics for the first quarter of fiscal 2020," said Iv Culp, president and chief operating officer of Culp. "In addition to an extra week of sales for the quarter, these results reflect a strong performance from CLASS, our sewn mattress cover business, as well as higher than expected sales of woven mattress fabrics. We are benefitting from the growing demand for mattress covers from customers in the popular and expanding roll-packed (boxed) bedding space. We have diversified our customer base in this market segment, and we are encouraged by additional opportunities with existing and new customers. Our flexible, global platform supports this strategy and has allowed us to meet changing customer demands with outstanding service and delivery performance.

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“While we were pleased with our top-line growth, our operating performance was affected by several factors during the first quarter of fiscal 2020. We experienced temporary lower demand for our more profitable knitted products as customers absorbed existing excess inventory, resulting in reduced production schedules. We also incurred certain employee-related costs that were higher than expected. In spite of these challenges, we believe business conditions are stabilizing and will result in improved profitability going forward, as we continue to rationalize production in the most cost-effective locations. Further, our sustainable manufacturing platform with enhanced capacity and distribution capabilities continues to provide the flexibility and scalability necessary to serve our customers in a changing global environment.

“We also remain committed to product innovation as we strive to deliver a favorable product mix of mattress fabrics and sewn covers. As a firm acknowledgement of the evolving trends in bedding and mattresses, we have established a dedicated innovation team to ensure we are developing and offering the latest technologies and forward-looking products for our customers. At the same time, we are enhancing our design capabilities with an expanded creative team to complement our innovation strategy. Culp has traditionally enjoyed a strong competitive advantage in the marketplace with our creative designs and innovative products, and our new initiatives will allow us to further leverage these capabilities and expand our market reach.

“Looking ahead, we are optimistic that the mattress industry is improving and is benefiting from the anti-dumping measures against the Chinese importers and the continued sell-through of excess inventory. We have a compelling business model supported by creative designs, innovative products, and an efficient global platform with the ability to provide the latest product offerings from fabric to sewn covers. We look forward to the opportunities ahead for our mattress fabrics business in fiscal 2020,” said Culp.

### **Upholstery Fabrics Segment**

Sales for this segment were \$31.9 million for the first quarter, down 7.6 percent compared with sales of \$34.5 million in the first quarter of fiscal 2019.

“Our upholstery fabrics sales were in line with expectations for the first quarter of fiscal 2020,” noted Boyd Chumbley, president of Culp’s upholstery fabrics division. “The modest drop in sales over the prior-year period reflects the continued soft retail environment for residential furniture, as well as ongoing issues surrounding international trade agreements and the associated tariffs. This unstable environment has disrupted supply chains throughout the furniture industry.

“In spite of these challenges, we aggressively pursued our product-driven strategy and remained focused on the diversification of our customer base. We are continuing to make progress with Read Window Products (RWP), our window treatment and installation services business, which has supported our ability to expand our reach in the hospitality market. We are optimistic about the future contribution from RWP as we grow this business. We also continue to see favorable demand trends from our residential furniture customers for our popular line of highly durable, stain-resistant, LiveSmart® performance fabrics. Notably, we recently extended this brand with the introduction of LiveSmart Evolve™, a new line of fabrics featuring the same performance technology combined with recycled fibers to deliver a sustainable textile product. The LiveSmart Evolve™ launch has been well received in recent showings and affirms Culp’s ongoing commitment to environmental responsibility. Above all, we continue to focus on product innovation and creative designs that meet the changing demands of our customers.

“Our improved operating performance for the first quarter of fiscal 2020 reflects a favorable product mix and a better currency exchange rate than we experienced a year ago. While additional tariffs took effect during the quarter, we have worked closely with our customers to make adjustments in response to these new tariffs. We are also pleased with the efficient scale-up of operations of our strategic partner relationships in Vietnam for additional sourcing of our cut and sew kits, and we will further pursue this opportunity to support our valued customers in light of the ongoing trade disputes between the U.S. and China.

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“Looking ahead, the uncertainties surrounding additional proposed tariffs and the associated geopolitical risks make it difficult to forecast the potential impact on our business. However, we are closely monitoring the situation, and we will enact appropriate responses as needed. Despite these current challenges, we believe Culp has the right strategy in place for upholstery fabrics and is well positioned for the long term,” added Chumbley.

### **Culp Home Accessories Segment**

Sales for this segment, which include the operation of eLuxury, Culp’s e-commerce and finished products business offering bedding accessories and home goods, totaled \$4.3 million for the first quarter of fiscal 2020. These sales are comparable to the fourth quarter of fiscal 2019. There is no full period of comparable prior-year sales as a result of the June 22, 2018 investment in eLuxury, which occurred in the middle of the first quarter of fiscal 2019.

Commenting on the results, Culp said, “Our home accessories sales were in line with our expectations. We are refining this business model with a more aggressive and strategic focus on the business-to-business market, along with greater customer diversification and new online retail marketplaces. We also remain committed to improving the performance of our legacy product lines. In tandem with our strategies, we are developing many new products and are excited about the opportunity to leverage this sales channel and reach new customers for Culp.”

### **Balance Sheet**

“Maintaining a strong financial position remains one of Culp’s top priorities for fiscal 2020,” added Ken Bowling, executive vice president and chief financial officer of Culp, Inc. “We reported \$44.2 million in total cash and investments and outstanding borrowings totaling \$925,000 as of August 4, 2019, for a net cash position of \$43.3 million. During the first quarter, we incurred \$935,000 in capital expenditures and spent \$1.2 million on regular dividends. Also, operating lease assets and liabilities totaling \$6.5 million at August 4, 2019, were recorded as a result of the adoption of a new lease accounting standard.”

### **Dividends and Share Repurchases**

The company also announced that the Board of Directors approved the payment of the company’s quarterly cash dividend of \$0.10 per share. This payment will be made on or about October 15, 2019, to shareholders of record as of October 4, 2019.

The company did not repurchase any shares during the first quarter of fiscal 2020, leaving \$1.7 million available under the previous \$5.0 million share repurchase program approved by the Board in June 2016. The Board has approved an increase in the authorization for the company to acquire its common stock back to a total of \$5.0 million.

Since June 2011, the company has returned approximately \$65 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

### **Financial Outlook**

Commenting on the outlook for the second quarter of fiscal 2020, Bowling remarked, “We expect overall sales to be comparable to the second quarter of last year.

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

“In our upholstery fabrics segment, we expect sales to be comparable to the same period last year. Operating income and margins are expected to be slightly higher compared with the same period a year ago. However, our projections are contingent upon any potential additional tariffs that could be imposed in the future and could therefore affect our operating costs.

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“In our home accessories segment, we expect second quarter sales to be considerably down as compared with the second quarter of fiscal 2019, as we refine our strategies and focus on higher margin products. We expect an operating loss for the quarter, but with meaningful improvement as compared to the first quarter of fiscal 2020.

“Considering these factors, the company expects to report pre-tax income for the second fiscal quarter of 2020 in the range of \$3.2 million to \$3.8 million. Pre-tax income for last year’s second quarter was \$4.3 million, which included a net benefit of \$543,000 in restructuring and related charges and credits and other non-recurring items. Excluding these charges, pre-tax income for the second quarter of fiscal 2019 was \$3.7 million.

“Based on our current budget, capital expenditures for fiscal 2020 are now expected to be in the \$7.0 million to \$8.0 million range. Additionally, free cash flow for fiscal 2020 is expected to be comparable to last year’s results, even with an uncertain geopolitical environment,” added Bowling.

## **About the Company**

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

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*Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 12, 2019 for the fiscal year ended April 28, 2019, and our subsequent periodic reports filed with the Securities and Exchange Commission.*

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

	<b>Three Months Ended</b>	
	<b>August 4, 2019</b>	<b>July 29, 2018</b>
Net sales	\$ 74,847,000	\$ 71,473,000
Income before income taxes	\$ 2,842,000	\$ 1,948,000
Net income attributable to Culp, Inc.	\$ 1,338,000	\$ 957,000
Net income per share:		
Basic	\$ 0.11	\$ 0.08
Diluted	\$ 0.11	\$ 0.08
Average shares outstanding:		
Basic	12,399,000	12,510,000
Diluted	12,410,000	12,600,000

**Summary of Cash and Investments**  
**August 4, 2019, July 29, 2018, and April 28, 2019**  
(Unaudited)  
*(Amounts in Thousands)*

	<b>Amounts</b>		
	<b>August 4, 2019</b>	<b>July 29, 2018</b>	<b>April 28, 2019 *</b>
Cash and cash equivalents	\$ 44,236	\$ 8,593	\$ 40,008
Short-term investments - Held-To-Maturity	-	30,756	5,001
Total cash and investments	\$ 44,236	\$ 39,349	\$ 45,009

*\*Derived from audited financial statements.*

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**Reconciliation of Selected Income Statement Information to Adjusted Results**  
**For Three Months Ended August 4, 2019**  
(Unaudited)

	As Reported August 4, 2019	(1) Adjustments	August 4, 2019 Adjusted Results
Net Sales	\$ 74,847	\$ -	\$ 74,847
Cost of Sales	61,482	-	61,482
Gross Profit	13,365	-	13,365
Selling, general, and administrative expenses	10,711	-	10,711
Restructuring credit (1)	(35)	35	-
Income from operations	2,689	35	2,654
Interest expense	9	-	9
Interest income	(249)	-	(249)
Other expense	87	-	87
Income before income taxes	\$ 2,842	\$ 35	\$ 2,807

(1) The \$35 restructuring credit represents employee termination benefits associated with the closure of our Anderson, SC plant facility.

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

	As Reported July 29, 2018	(1) Adjustments	July 29, 2018 Adjusted Results
Net Sales	\$ 71,473	\$ -	\$ 71,473
Cost of Sales (1)	60,914	(1,565)	59,349
Gross Profit	10,559	(1,565)	12,124
Selling, general, and administrative expenses	8,033	-	8,033
Restructuring expense (1)	451	(451)	-
Income from operations	2,075	(2,016)	4,091
Interest expense	20	-	20
Interest income	(150)	-	(150)
Other expense	257	-	257
Income before income taxes	\$ 1,948	\$ (2,016)	\$ 3,964

(1) The \$1.6 million adjustment for cost of sales represents a restructuring related charge for inventory markdowns. The \$451 restructuring charge represents employee termination benefits. These charges are associated with the closure of our Anderson, SC plant facility.

-MORE-

**Reconciliation of Free Cash Flow**  
**For the Three Months Ended August 4, 2019, and July 29, 2018**  
*(Unaudited)*  
*(Amounts in thousands)*

	<b>Three Months Ended August 4, 2019</b>	<b>Three Months Ended July 29, 2018</b>
Net cash provided by (used in) operating activities	\$ 2,023	\$ (1,936)
Minus: Capital Expenditures	(935)	(757)
Plus: Proceeds from the sale of property, plant, and equipment	209	-
Minus: Investment in unconsolidated joint venture	-	(100)
Minus: Payments on vendor-financed capital expenditures	-	(1,412)
Minus: Purchase of long-term investments (Rabbi Trust)	(259)	(302)
Effect of exchange rate changes on cash and cash equivalents	(52)	(114)
Free Cash Flow	<u>\$ 986</u>	<u>\$ (4,621)</u>

-END-

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THREE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	THREE MONTHS ENDED				
	(2) Amounts			Percent of Sales	
	August 4, 2019	July 29, 2018		% Over (Under)	August 4, 2019
Net sales	\$ 74,847	71,473		100.0%	100.0%
Cost of sales	61,482	60,914	(1)(2)	82.1%	85.2%
Gross profit	13,365	10,559		17.9%	14.8%
Selling, general and administrative expenses	10,711	8,033		14.3%	11.2%
Restructuring (credit) expense	(35)	451	(2)	(0.0)%	0.6%
Income from operations	2,689	2,075		3.6%	2.9%
Interest expense	9	20		0.0%	0.0%
Interest income	(249)	(150)		(0.3)%	(0.2)%
Other expense	87	257		0.1%	0.4%
Income before income taxes	2,842	1,948		3.8%	2.7%
Income tax expense *	1,681	906		59.1%	46.5%
(Income) loss from investment in unconsolidated joint venture	(13)	77		(0.0)%	0.1%
Net income	1,174	965		1.6%	1.4%
Net loss (income) attributable to non-controlling interest	164	(8)		0.2%	(0.0)%
Net income attributable to Culp Inc. common shareholders	\$ 1,338	957		1.8%	1.3%
Net income attributable to Culp Inc. common shareholders per share - basic	\$ 0.11	\$ 0.08		37.5%	
Net income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.11	\$ 0.08		37.5%	
Average shares outstanding-basic	12,399	12,510		(0.9)%	
Average shares outstanding-diluted	12,410	12,600		(1.5)%	

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

**Notes**

(1) Cost of sales for the three-month period ending July 29, 2018 includes a \$1.6 million restructuring related charge for inventory markdowns.

(2) See page 6 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods August 4, 2019 and July 29, 2018, that exclude the adjustments related to our recent restructuring activities.



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**AUGUST 4, 2019, JULY 29, 2018, AND APRIL 28, 2019**  
**Unaudited**  
**(Amounts in Thousands)**

	Amounts		Increase		* April 28, 2019
	August 4,	(Condensed) July 29,	(Decrease)		
	2019	2018	Dollars	Percent	
<b>Current assets</b>					
Cash and cash equivalents	\$ 44,236	8,593	35,643	414.8%	40,008
Short-term investments - Held-To-Maturity	-	30,756	(30,756)	(100.0)%	5,001
Accounts receivable	24,090	23,225	865	3.7%	23,751
Inventories	50,660	54,989	(4,329)	(7.9)%	50,860
Current income taxes receivable	776	-	776	100.0%	776
Assets held for sale	100	-	100	100.0%	-
Other current assets	2,578	3,852	(1,274)	(33.1)%	2,849
Total current assets	<u>122,440</u>	<u>121,415</u>	<u>1,025</u>	<u>0.8%</u>	<u>123,245</u>
Property, plant & equipment, net	47,289	53,178	(5,889)	(11.1)%	48,389
Goodwill	27,222	27,222	-	0.0%	27,222
Intangible assets	10,354	10,730	(376)	(3.5)%	10,448
Long-term investments - Rabbi Trust	7,347	7,671	(324)	(4.2)%	7,081
Right of use assets	6,530	-	6,530	100.0%	-
Noncurrent income taxes receivable	733	-	733	100.0%	733
Deferred income taxes	486	3,721	(3,235)	(86.9)%	457
Investment in unconsolidated joint venture	1,520	1,525	(5)	(0.3)%	1,508
Other assets	526	910	(384)	(42.2)%	643
Total assets	<u>\$ 224,447</u>	<u>226,372</u>	<u>(1,925)</u>	<u>(0.9)%</u>	<u>219,726</u>
<b>Current liabilities</b>					
Accounts payable - trade	\$ 22,628	25,070	(2,442)	(9.7)%	24,377
Accounts payable - capital expenditures	60	862	(802)	(93.0)%	78
Operating lease liability - current	2,456	-	2,456	100.0%	-
Deferred revenue	684	634	50	7.9%	399
Accrued expenses	8,566	8,176	390	4.8%	9,192
Accrued restructuring costs	42	445	(403)	(90.6)%	124
Income taxes payable - current	1,116	1,244	(128)	(10.3)%	1,022
Total current liabilities	<u>35,552</u>	<u>36,431</u>	<u>(879)</u>	<u>(2.4)%</u>	<u>35,192</u>
Line of credit	-	4,000	(4,000)	(100.0)%	-
Accrued expenses - long-term	333	749	(416)	(55.5)%	333
Subordinated loan payable	925	-	925	100.0%	675
Operating lease liability - long-term	3,955	-	3,955	100.0%	-
Contingent consideration - Earn-Out Obligation	5,931	5,600	331	5.9%	5,856
Income taxes payable - long-term	3,640	3,733	(93)	(2.5)%	3,249
Deferred income taxes	2,543	2,150	393	18.3%	3,176
Deferred compensation	7,232	7,679	(447)	(5.8)%	6,998
Total liabilities	<u>60,111</u>	<u>60,342</u>	<u>(231)</u>	<u>(0.4)%</u>	<u>55,479</u>
<b>Shareholders' equity</b>					
Shareholders' equity attributable to Culp Inc.	160,146	161,490	(1,344)	(0.8)%	159,933
Non-controlling interest	4,190	4,540	(350)	(7.7)%	4,314
Total liabilities and shareholders' equity	<u>\$ 224,447</u>	<u>226,372</u>	<u>(1,925)</u>	<u>(0.9)%</u>	<u>219,726</u>
Shares outstanding	<u>12,405</u>	<u>12,522</u>	<u>(117)</u>	<u>(0.9)%</u>	<u>12,391</u>

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**SUMMARY OF CASH AND INVESTMENTS**  
**AUGUST 4, 2019 , JULY 29, 2018 AND APRIL 28, 2019**  
**Unaudited**  
**(Amounts in Thousands)**

	Amounts		
	August 4, 2019	July 29, 2018	April 28, 2019*
Cash and cash equivalents	\$ 44,236	\$ 8,593	\$ 40,008
Short-term investments - Held-To-Maturity	-	30,756	5,001
Total Cash and Investments	\$ 44,236	\$ 39,349	\$ 45,009

\* Derived from audited financial statements.

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>THREE MONTHS ENDED</b>	
	Amounts	
	<b>August 4, 2019</b>	<b>July 29, 2018</b>
Cash flows from operating activities:		
Net income	\$ 1,174	965
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,905	2,015
Amortization	176	145
Stock-based compensation	154	(501)
Deferred income taxes	(662)	(2,263)
Realized loss on sale of short-term investments (Available for Sale)	-	94
(Gain) loss on sale of property, plant, and equipment	(17)	35
(Income) loss from investment in unconsolidated joint venture	(13)	77
Foreign currency exchange gain	(47)	(91)
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Accounts receivable	(375)	2,837
Inventories	(25)	(429)
Other current assets	161	(989)
Other assets	111	34
Accounts payable	(1,468)	(2,494)
Deferred revenue	285	(175)
Accrued expenses and deferred compensation	222	(1,566)
Accrued restructuring costs	(82)	445
Income taxes	524	(75)
Net cash provided by (used in) operating activities	<u>2,023</u>	<u>(1,936)</u>
Cash flows from investing activities:		
Net cash paid for acquisition of businesses	-	(11,971)
Capital expenditures	(935)	(757)
Proceeds from the sale of property, plant, and equipment	209	-
Investment in unconsolidated joint venture	-	(100)
Proceeds from the sale of short-term investments (Held to Maturity)	5,000	-
Proceeds from the sale of short-term investments (Available for Sale)	-	2,458
Purchase of short-term investments (Available for Sale)	-	(10)
Purchase of long-term investments (Rabbi Trust)	(259)	(302)
Net cash provided by (used in) investing activities	<u>4,015</u>	<u>(10,682)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	11,000
Payments on line of credit	-	(7,000)
Payments on vendor-financed capital expenditures	-	(1,412)
Proceeds from subordinated loan payable	250	-
Cash paid for acquisition of business	(763)	-
Dividends paid	(1,241)	(1,127)
Common stock surrendered for withholding taxes payable	(44)	(1,292)
Capital contribution from non-controlling interest	40	-
Common stock repurchased	-	(72)
Net cash (used in) provided by financing activities	<u>(1,758)</u>	<u>97</u>
Effect of exchange rate changes on cash and cash equivalents	(52)	(114)
Increase (decrease) in cash and cash equivalents	4,228	(12,635)
Cash and cash equivalents at beginning of period	40,008	21,228
Cash and cash equivalents at end of period	<u>\$ 44,236</u>	<u>8,593</u>
Free Cash Flow (1)	<u>\$ 986</u>	<u>(4,621)</u>

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

	<b>FY 2020</b>	<b>FY 2019</b>
A) Net cash provided by (used in) operating activities	\$ 2,023	(1,936)
B) Minus: Capital Expenditures	(935)	(757)
C) Plus: Proceeds from the sale of property, plant, and equipment	209	-
D) Minus: Investment in unconsolidated joint venture	-	(100)
E) Minus: Payments on vendor-financed capital expenditures	-	(1,412)

F) Minus: Purchase of long-term investments (Rabbi Trust)	(259)	(302)
G) Effects of exchange rate changes on cash and cash equivalents	(52)	(114)
Free Cash Flow	<u>\$ 986</u>	<u>(4,621)</u>

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**  
**(Unaudited)**  
**(Amounts in thousands)**

**THREE MONTHS ENDED**

	Amounts		% Over (Under)	Percent of Total Sales	
	August 4, 2019	July 29, 2018		August 4, 2019	July 29, 2018
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 38,685	34,398	12.5%	51.7%	48.1%
Upholstery Fabrics	31,860	34,490	(7.6)%	42.6%	48.3%
Home Accessories	4,302	2,585	66.4%	5.7%	3.6%
Net Sales	<u>\$ 74,847</u>	<u>71,473</u>	<u>4.7%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
				<b>Gross Profit Margin</b>	
Mattress Fabrics	\$ 5,691	5,302	7.3%	14.7%	15.4%
Upholstery Fabrics	6,721	6,153	9.2%	21.1%	17.8%
Home Accessories	953	669	42.5%	22.2%	25.9%
Subtotal	13,365	12,124	10.2%	17.9%	17.0%
Restructuring related charges	-	(1,565) (1)	(100.0)%	0.0%	(2.2)%
Gross Profit	<u>13,365</u>	<u>10,559</u>	<u>26.6%</u>	<u>17.9%</u>	<u>14.8%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
				<b>Percent of Sales</b>	
Mattress Fabrics	\$ 3,071	2,512	22.3%	7.9%	7.3%
Upholstery Fabrics	3,846	3,626	6.1%	12.1%	10.5%
Home Accessories	1,488	636	134.0%	34.6%	24.6%
Unallocated Corporate expenses	2,306	1,259	83.2%	3.1%	1.8%
Selling, General and Administrative Expenses	<u>\$ 10,711</u>	<u>8,033</u>	<u>33.3%</u>	<u>14.3%</u>	<u>11.2%</u>
<b>Operating Income (loss) by Segment</b>					
				<b>Operating Income (Loss) Margin</b>	
Mattress Fabrics	\$ 2,620	2,790	(6.1)%	6.8%	8.1%
Upholstery Fabrics	2,875	2,527	13.8%	9.0%	7.3%
Home Accessories	(535)	33	N.M.	(12.4)%	1.3%
Unallocated corporate expenses	(2,306)	(1,259)	83.2%	(3.1)%	(1.8)%
Subtotal	\$ 2,654	4,091	(35.1)%	3.5%	5.7%
Restructuring credit (expense) and related charges	35	(2,016) (1)	(101.7)%	0.0%	(2.8)%
Operating income	<u>2,689</u>	<u>2,075</u>	<u>29.6%</u>	<u>3.6%</u>	<u>2.9%</u>
<b>Return on Capital (2)</b>					
Mattress Fabrics	15.2%	28.8%			
Upholstery Fabrics	57.3%	53.7%			
Home Accessories	N.M.	N.M.			
Unallocated Corporate	N.M.	N.M.			
Consolidated	<u>10.4%</u>	<u>21.4%</u>			
<b>Capital Employed (2) (3)</b>					
Mattress Fabrics	\$ 71,202	80,718	(11.8)%		
Upholstery Fabrics	20,104	19,506	3.1%		
Home Accessories	4,113	2,753	49.4%		
Unallocated Corporate	30,795	31,118	(1.0)%		
Consolidated	<u>\$ 126,214</u>	<u>134,095</u>	<u>(5.9)%</u>		
<b>Depreciation Expense by Segment</b>					
Mattress Fabrics	\$ 1,620	1,762	(8.1)%		
Upholstery Fabrics	190	215	(11.6)%		
Home Accessories	95	38	150.0%		
Depreciation Expense	<u>\$ 1,905</u>	<u>2,015</u>	<u>(5.5)%</u>		

## Notes

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- (1) See page 6 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods August 4, 2019 and July 29, 2018, that exclude the adjustments related to our recent restructuring activities.
  - (2) See pages 8 and 9 of this financial information release for calculations.
  - (3) The capital employed balances are as of August 4, 2019 and July 29, 2018.
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**CULP, INC.**  
**RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS**  
**FOR THE THREE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**

**THREE MONTHS ENDED (UNAUDITED)**

	<b>As Reported August 4, 2019</b>			<b>August 4, 2019 Adjusted Results</b>		<b>As Reported July 29, 2018</b>			<b>July 29, 2018 Adjusted Results</b>		<b>% Over (Under)</b>
	<b>% of Sales</b>	<b>Adjustments</b>		<b>% of Sales</b>		<b>% of Sales</b>	<b>Adjustments</b>		<b>% of Sales</b>		
Net sales	<b>\$ 74,847</b>	100.0%	-	74,847	100.0%	<b>71,473</b>	100.0%	-	71,473	100.0%	4.7%
Cost of sales	<b>61,482</b>	82.1%	-	61,482	82.1%	<b>60,914</b>	85.2%	(1,565) (2)	59,349	83.0%	3.6%
Gross Profit	<b>13,365</b>	17.9%	-	13,365	17.9%	<b>10,559</b>	14.8%	(1,565)	12,124	17.0%	10.2%
Selling, general and administrative expenses	<b>10,711</b>	14.3%	-	10,711	14.3%	<b>8,033</b>	11.2%	-	8,033	11.2%	33.3%
Restructuring (credit) expense	<b>(35)</b>	0.0%	35 (1)	-	0.0%	<b>451</b>	0.6%	(451) (3)	-	0.0%	0.0%
Income from operations	<b>2,689</b>	3.6%	35	2,654	3.5%	<b>2,075</b>	2.9%	(2,016)	4,091	5.7%	-35.1%
Interest expense	<b>9</b>	0.0%	-	9	0.0%	<b>20</b>	0.0%	-	20	0.0%	-55.0%
Interest income	<b>(249)</b>	-0.3%	-	(249)	-0.3%	<b>(150)</b>	-0.2%	-	(150)	-0.2%	66.0%
Other expense	<b>87</b>	0.1%	-	87	0.1%	<b>257</b>	0.4%	-	257	0.4%	-66.1%
Income before income taxes	<b>2,842</b>	3.8%	35	2,807	3.8%	<b>1,948</b>	2.7%	(2,016)	3,964	5.5%	-29.2%

**Notes**

- (1) The \$35 restructuring credit represents employee termination benefits associated with the closure of our Anderson, SC plant facility.
- (2) The \$1.6 million restructuring related charge represents inventory markdowns associated with the closure of our Anderson, SC plant facility.
- (3) The \$451 restructuring charge represents employee termination benefits associated with the closure of our Anderson, SC plant facility.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA**  
**FOR THE TWELVE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 8/4/2019
	10/28/2018	1/27/2019	4/28/2019	8/4/2019	
Net income (loss)	\$ 2,944	\$ 3,060	\$ (1,511)	\$ 1,174	\$ 5,667
Income taxes	1,276	1,225	3,017	1,681	7,199
Interest income, net	(134)	(251)	(210)	(240)	(835)
Other non-recurring charges	249	429	500	-	1,178
Restructuring expense (credit) and related charges	(791)	340	-	(35)	(486)
Depreciation and amortization expense	2,287	2,232	2,218	2,081	8,818
Stock based compensation	395	479	(243)	154	785
Adjusted EBITDA	<u>\$ 6,226</u>	<u>\$ 7,514</u>	<u>\$ 3,771</u>	<u>\$ 4,815</u>	<u>\$ 22,326</u>
% Net Sales	<u>8.1%</u>	<u>9.7%</u>	<u>5.3%</u>	<u>6.4%</u>	<u>7.4%</u>

	Quarter Ended				Trailing 12 Months 7/29/2018
	10/29/2017	1/28/2018	4/29/2018	7/29/2018	
Net income (loss)	\$ 3,976	\$ (748)	\$ 12,666	\$ 965	\$ 16,859
Income taxes	2,108	8,208	(6,217)	906	5,005
Interest income, net	(91)	(101)	(117)	(130)	(439)
Restructuring expense and related charges	-	-	-	2,016	2,016
Depreciation and amortization expense	1,990	2,048	2,096	2,160	8,294
Stock based compensation	801	864	(210)	(501)	954
Adjusted EBITDA	<u>\$ 8,784</u>	<u>\$ 10,271</u>	<u>\$ 8,218</u>	<u>\$ 5,416</u>	<u>\$ 32,689</u>
% Net Sales	<u>10.9%</u>	<u>12.0%</u>	<u>10.5%</u>	<u>7.6%</u>	<u>10.4%</u>
% Over (Under)	<u>-29.1%</u>	<u>-26.8%</u>	<u>-54.1%</u>	<u>-11.1%</u>	<u>-31.7%</u>



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED AUGUST 4, 2019**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Twelve Months Ended August 4, 2019 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 11,434	\$ 75,225	15.2%
Upholstery Fabrics	11,173	19,487	57.3%
Home Accessories (less: Unallocated Corporate)	(1,300)	3,390	N.M.
	(7,884)	31,024	N.M.
<b>Total</b>	<b>\$ 13,423</b>	<b>\$ 129,126</b>	<b>10.4%</b>

	<b>As of the three Months Ended August 4, 2019</b>					<b>As of the three Months Ended April 28, 2019</b>					<b>As of the three Months Ended January 27, 2019</b>				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 83,056	40,456	6,414	94,521	224,447	\$ 83,393	37,529	5,618	93,186	219,726	\$ 86,707	43,097	5,607	89,497	224,908
Total liabilities (5)	(11,854)	(20,352)	(2,301)	(25,604)	(60,111)	(10,996)	(18,114)	(2,215)	(24,154)	(55,479)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)
<b>Subtotal</b>	<b>\$ 71,202</b>	<b>\$ 20,104</b>	<b>\$ 4,113</b>	<b>\$ 68,917</b>	<b>\$164,336</b>	<b>\$ 72,397</b>	<b>\$ 19,415</b>	<b>\$ 3,403</b>	<b>\$ 69,032</b>	<b>\$164,247</b>	<b>\$ 75,103</b>	<b>\$ 20,614</b>	<b>\$ 3,439</b>	<b>\$ 68,076</b>	<b>\$167,232</b>
Less:															
Cash and cash equivalents	-	-	-	(44,236)	(44,236)	-	-	-	(40,008)	(40,008)	-	-	-	(26,418)	(26,418)
Short-term investments - Available- For-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments - Held-To- Maturity	-	-	-	-	-	-	-	-	(5,001)	(5,001)	-	-	-	(13,544)	(13,544)
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	(776)	(776)	-	-	-	-	-
Long-term investments - Held-To- Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(7,347)	(7,347)	-	-	-	(7,081)	(7,081)	-	-	-	(6,834)	(6,834)
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	(733)	(733)	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(486)	(486)	-	-	-	(457)	(457)	-	-	-	(3,224)	(3,224)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,116	1,116	-	-	-	1,022	1,022	-	-	-	642	642
Income taxes payable - long-term	-	-	-	3,640	3,640	-	-	-	3,249	3,249	-	-	-	3,294	3,294
Deferred income taxes - non-current	-	-	-	2,543	2,543	-	-	-	3,176	3,176	-	-	-	2,225	2,225
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated loan payable	-	-	-	925	925	-	-	-	675	675	-	-	-	-	-
Deferred compensation	-	-	-	7,232	7,232	-	-	-	6,998	6,998	-	-	-	6,782	6,782

- non-current																
Total Capital Employed	\$ 71,202	\$ 20,104	\$ 4,113	\$ 30,795	\$126,214	\$ 72,397	\$ 19,415	\$ 3,403	\$ 30,096	\$125,311	\$ 75,103	\$ 20,614	\$ 3,439	\$ 30,999	\$130,155	

	As of the three Months Ended October 28, 2018					As of the three Months Ended July 29, 2018				
	Mattress	Upholstery	Home	Unallocated	Total	Mattress	Upholstery	Home	Unallocated	Total
	Fabrics	Fabrics	Accessories	Corporate		Fabrics	Fabrics	Accessories	Corporate	
Total assets (4)	\$ 86,494	37,442	5,203	93,072	222,211	\$ 93,601	37,386	4,463	90,922	226,372
Total liabilities (5)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)
Subtotal	\$ 76,704	\$ 17,796	\$ 3,243	\$ 69,726	\$167,469	\$ 80,718	\$ 19,506	\$ 2,753	\$ 63,053	\$166,030
Less:										
Cash and cash equivalents	-	-	-	(14,768)	(14,768)	-	-	-	(8,593)	(8,593)
Short-term investments - Available-For-Sale	-	-	-	-	-	-	-	-	-	-
Short-term investments - Held-To-Maturity	-	-	-	(26,719)	(26,719)	-	-	-	(30,756)	(30,756)
Current income taxes receivable	-	-	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(7,851)	(7,851)	-	-	-	(7,671)	(7,671)
Noncurrent income taxes receivable	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(3,614)	(3,614)	-	-	-	(3,721)	(3,721)
Deferred compensation - current	-	-	-	714	714	-	-	-	-	-
Income taxes payable - current	-	-	-	2,044	2,044	-	-	-	1,244	1,244
Income taxes payable - long-term	-	-	-	3,233	3,233	-	-	-	3,733	3,733
Deferred income taxes - non-current	-	-	-	2,225	2,225	-	-	-	2,150	2,150
Line of credit	-	-	-	-	-	-	-	-	4,000	4,000
Subordinated loan payable	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,120	7,120	-	-	-	7,679	7,679
Total Capital Employed	\$ 76,704	\$ 17,796	\$ 3,243	\$ 32,110	\$129,853	\$ 80,718	\$ 19,506	\$ 2,753	\$ 31,118	\$134,095

Average Capital Employed (3)	Mattress	Upholstery	Home	Unallocated	Total
	Fabrics	Fabrics	Accessories	Corporate	
	\$ 75,225	\$ 19,487	\$ 3,390	\$ 31,024	\$129,126

**Notes**

- (1) See reconciliation per page 10 of this financial information release.
- (2) Return on average capital employed represents the last twelve months operating income as of August 4, 2019, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Available- For-Sale, short-term investments Held-To-Maturity, long-term investments Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred income tax assets and liabilities, income taxes receivable and payable, line of credit, subordinated loan payable, and current and noncurrent deferred compensation.
- (3) Average capital employed was computed using the quarterly five periods ending August 4, 2019, April 28, 2019, January 27, 2019, October 28, 2018, and July 29, 2018.
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no affect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.
- (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no

affect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

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

	<b>Operating Income Twelve Months Ended July 29, 2018 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 22,277	\$ 77,448	28.8%
Upholstery Fabrics	10,592	19,715	53.7%
Home Accessories	33	551	N.M.
(less: Unallocated Corporate)	(8,314)	17,421	N.M.
<b>Total</b>	<b>\$ 24,588</b>	<b>\$ 115,134</b>	<b>21.4%</b>

	<b>As of the three Months Ended July 29, 2018</b>					<b>As of the three Months Ended April 29, 2018</b>					<b>As of the three Months Ended January 28, 2018</b>				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 93,601	37,386	4,463	90,922	226,372	\$ 95,061	39,812	-	83,111	217,984	\$ 93,827	43,458	-	79,559	216,844
Total liabilities (5)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)	(17,335)	(18,679)	-	(18,594)	(54,608)	(18,418)	(22,781)	-	(23,463)	(64,662)
<b>Subtotal</b>	<b>\$ 80,718</b>	<b>\$ 19,506</b>	<b>\$ 2,753</b>	<b>\$ 63,053</b>	<b>\$166,030</b>	<b>\$ 77,726</b>	<b>\$ 21,133</b>	<b>\$ -</b>	<b>\$ 64,517</b>	<b>\$163,376</b>	<b>\$ 75,409</b>	<b>\$ 20,677</b>	<b>\$ -</b>	<b>\$ 56,096</b>	<b>\$152,182</b>
Less:															
Cash and cash equivalents	-	-	-	(8,593)	(8,593)	-	-	-	(21,228)	(21,228)	-	-	-	(22,428)	(22,428)
Short-term investments - Available- For-Sale	-	-	-	-	-	-	-	-	(2,451)	(2,451)	-	-	-	(2,472)	(2,472)
Short-term investments - Held-To- Maturity	-	-	-	(30,756)	(30,756)	-	-	-	(25,759)	(25,759)	-	-	-	(17,206)	(17,206)
Long-term investments - Held-To- Maturity	-	-	-	-	-	-	-	-	(5,035)	(5,035)	-	-	-	(13,625)	(13,625)
Long-term investments - Rabbi Trust	-	-	-	(7,671)	(7,671)	-	-	-	(7,326)	(7,326)	-	-	-	(7,176)	(7,176)
Deferred income taxes - non-current	-	-	-	(3,721)	(3,721)	-	-	-	(1,458)	(1,458)	-	-	-	(1,942)	(1,942)
Income taxes payable - current	-	-	-	1,244	1,244	-	-	-	1,437	1,437	-	-	-	1,580	1,580
Income taxes payable - long-term	-	-	-	3,733	3,733	-	-	-	3,758	3,758	-	-	-	10,940	10,940
Deferred income taxes - non-current	-	-	-	2,150	2,150	-	-	-	2,150	2,150	-	-	-	2,096	2,096
Line of credit	-	-	-	4,000	4,000	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,679	7,679	-	-	-	7,353	7,353	-	-	-	7,216	7,216
<b>Total Capital Employed</b>	<b>\$ 80,718</b>	<b>\$ 19,506</b>	<b>\$ 2,753</b>	<b>\$ 31,118</b>	<b>\$134,095</b>	<b>\$ 77,726</b>	<b>\$ 21,133</b>	<b>\$ -</b>	<b>\$ 15,958</b>	<b>\$114,817</b>	<b>\$ 75,409</b>	<b>\$ 20,677</b>	<b>\$ -</b>	<b>\$ 13,079</b>	<b>\$109,165</b>

	<b>As of the three Months Ended October 29, 2017</b>					<b>As of the three Months Ended July 30, 2017</b>				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 94,626	34,974	-	71,443	201,043	\$ 99,190	34,491	-	74,223	207,904

Total liabilities (5)	(16,150)	(17,225)	-	(14,588)	(47,963)	(24,277)	(14,983)	-	(18,967)	(58,227)
Subtotal	\$ 78,476	\$ 17,749	\$ -	\$ 56,855	\$153,080	\$ 74,913	\$ 19,508	\$ -	\$ 55,256	\$149,677
Less:										
Cash and cash equivalents	-	-	-	(15,739)	(15,739)	-	-	-	(18,322)	(18,322)
Short-term investments - Available-For-Sale	-	-	-	(2,478)	(2,478)	-	-	-	(2,469)	(2,469)
Short-term investments - Held-To-Maturity	-	-	-	(4,015)	(4,015)	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	-	(26,853)	(26,853)	-	-	-	(30,907)	(30,907)
Long-term investments - Rabbi Trust	-	-	-	(6,921)	(6,921)	-	-	-	(6,714)	(6,714)
Deferred income taxes - non-current	-	-	-	(491)	(491)	-	-	-	(436)	(436)
Income taxes payable - current	-	-	-	692	692	-	-	-	884	884
Income taxes payable - long-term	-	-	-	487	487	-	-	-	487	487
Deferred income taxes - non-current	-	-	-	4,641	4,641	-	-	-	4,253	4,253
Line of credit	-	-	-	-	-	-	-	-	5,000	5,000
Deferred compensation - non-current	-	-	-	6,970	6,970	-	-	-	6,769	6,769
Total Capital Employed	\$ 78,476	\$ 17,749	\$ -	\$ 13,148	\$109,373	\$ 74,913	\$ 19,508	\$ -	\$ 13,801	\$108,222

	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	\$ 77,448	\$ 19,715	\$ 551	\$ 17,421	\$115,134

#### Notes

- (1) See reconciliation per page 10 of this financial information release.
- (2) Return on average capital employed represents the last twelve months operating income as of July 29, 2018, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments - Available- For-Sale, short-term investments Held-To-Maturity, long-term investments Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred income tax assets and liabilities, income taxes payable, line of credit, and deferred compensation.
- (3) Average capital employed was computed using the quarterly five periods ending July 29, 2018, April 29, 2018, January 28, 2018, October 29, 2017, and July 30, 2017.
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no affect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.
- (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no affect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF OPERATING INCOME (LOSS)**  
**FOR THE TWELVE MONTHS ENDED AUGUST 4, 2019 AND JULY 29, 2018**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 8/4/2019
	10/28/2018	1/27/2019	4/28/2019	8/4/2019	
Mattress Fabrics	\$ 2,908	\$ 3,208	\$ 2,698	\$ 2,620	\$ 11,434
Upholstery Fabrics	2,722	3,799	1,777	2,875	11,173
Home Accessories	25	(311)	(479)	(535)	(1,300)
Unallocated Corporate	(1,913)	(1,628)	(2,037)	(2,306)	(7,884)
Subtotal	3,742	5,068	1,959	2,654	13,423
Other non-recurring charges	(249)	(429)	-	-	(678)
Restructuring (expense) credit and related charges	791	(340)	-	35	486
Operating income	<u>\$ 4,284</u>	<u>\$ 4,299</u>	<u>\$ 1,959</u>	<u>\$ 2,689</u>	<u>\$ 13,231</u>

  

	Quarter Ended				Trailing 12 Months 7/29/2018
	10/29/2017	1/28/2018	4/29/2018	7/29/2018	
Mattress Fabrics	\$ 6,562	\$ 6,837	\$ 6,088	\$ 2,790	\$ 22,277
Upholstery Fabrics	2,374	3,510	2,181	2,527	10,592
Home Accessories	-	-	-	33	33
Unallocated Corporate	(2,547)	(2,703)	(1,805)	(1,259)	(8,314)
Subtotal	\$ 6,389	\$ 7,644	\$ 6,464	\$ 4,091	\$ 24,588
Restructuring expense and related charges	-	-	-	(2,016)	(2,016)
Operating income	<u>\$ 6,389</u>	<u>\$ 7,644</u>	<u>\$ 6,464</u>	<u>\$ 2,075</u>	<u>\$ 22,572</u>
% Over (Under)	<u>-32.9%</u>	<u>-43.8%</u>	<u>-69.7%</u>	<u>29.6%</u>	<u>-41.4%</u>