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CULP, INC.

NYSE: CULP
Third Quarter Fiscal 2021
Summary Financial Information

March 3, 2021

THIRD QUARTER FISCAL 2021 FINANCIAL SUMMARY*

- Net sales were \$79.3 million, up 15.8 percent over the prior-year period, with mattress fabrics sales up 15.1 percent and upholstery fabrics sales up 16.4 percent compared with the third quarter of last year.
- Pre-tax income from continuing operations was \$3.1 million, which included \$1.0 million in other expense relating mostly to foreign exchange rate fluctuations associated with our operations located in China, compared with pre-tax income from continuing operations of \$2.7 million for the prior-year period, which included \$282,000 in other expense.
- Net income from continuing operations was \$2.1 million, or \$0.17 per diluted share, compared with net income from continuing operations of \$1.0 million, or \$0.08 per diluted share, for the prior-year period.
- The company's financial position reflected total cash and investments of \$51.8 million and no outstanding borrowings as of January 31, 2021. This compares with a net cash position of \$38.7 million as of the end of the fourth quarter of fiscal 2020. (See summary of cash and investments table at back of presentation)

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

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THIRD QUARTER FISCAL 2021 FINANCIAL SUMMARY (cont'd)

- Cash flow from operations and free cash flow for the first nine months of fiscal 2021 were $21.7 million and $17.1 million, respectively, compared with negative cash flow from operations and negative free cash flow of $519,000 and $4.7 million, respectively, for the prior-year period. (See reconciliation table at back of presentation.)
- The company announced a quarterly cash dividend of $0.11 per share, payable in April. At an annual indicated dividend of $0.44 per share, the yield is 2.56 percent, based upon yesterday's closing stock price of $17.18 per share.
- The company's Board of Directors has reinstated the company's share repurchase program, which was previously suspended in April 2020 due to uncertainty surrounding the COVID-19 pandemic. There is $5.0 million available under the share repurchase program authorized by the Board in March 2020.

FINANCIAL OUTLOOK

- Although subject to uncertainties related to the COVID-19 pandemic and potential disruption in customers' supply chains, the company is encouraged by the execution of its product-driven strategy and continued strength in demand for home furnishing products, as well as its opportunities for market share growth. The company expects sales and operating income from continuing operations for the fourth quarter of fiscal 2021 to be dramatically improved compared to the prior-year period. The fourth quarter of last year was materially affected by global shutdowns relating to the COVID-19 pandemic.

- The company's net sales for the fourth quarter of fiscal 2021 are expected to be up approximately 40 percent compared to the prior-year period, with the increase in mattress fabrics sales expected to be moderately higher than this percentage and the increase in upholstery fabrics sales expected to be moderately lower than this percentage.

FINANCIAL OUTLOOK (cont’d)

- Notably, operating performance for the upholstery fabrics segment is being affected by the timing of holiday shutdowns for the Chinese New Year holiday, which falls entirely in company’s fourth quarter. Recognizing this impact, consolidated operating income is expected to be in the range of $1.2 million to $1.7 million for the fourth quarter of fiscal 2021. This compares to an $18 million operating loss from continuing operations for the fourth quarter of fiscal 2020, which included $13.7 million in asset impairment charges. Excluding these charges, adjusted operating loss from continuing operations for the fourth quarter of fiscal 2020 was $4.3 million. (See reconciliation table at back of presentation.)

- Due to the continued economic impact of the COVID-19 pandemic and the lack of visibility as to its duration, the company is not committing to provide this level of forward-looking guidance regularly.

THIRD QUARTER 2021 HIGHLIGHTS*

($ in millions)

GAAP	Q3 FY21	Q3 FY20	Change	
			$	%
Sales	$79.3	$68.5	$10.8	15.8%
Operating income from continuing ops	$4.0	$2.7	$1.3	48.2%
Operating income margin	5.1%	4.0%		110 bp
Pre-tax income from continuing ops	$3.1	$2.7	$0.4	15.4%
Pre-tax margin	3.9%	3.9%		0 bp
Net income from continuing ops	$2.1	$1.0	$1.1	103.1%
Net income per diluted share	$0.17	$0.08	$0.09	104.0%

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

THIRD QUARTER 2021 YEAR TO DATE HIGHLIGHTS*

($ in millions)

GAAP	FY21	FY20	Change $	Change %
Sales	$220.7	$208.8	$11.9	5.7%
Operating income from continuing ops	$10.4	$10.4	$0.0	0.1%
Operating income margin	4.7%	5.0%		(30) bp
Pre-tax income from continuing ops	$8.5	$10.7	$(2.2)	(20.3)%
Pre-tax margin	3.9%	5.1%		(120) bp
Net income (loss) from continuing ops	$1.7**	$5.1**	$(3.4)	(65.8)%
Net income (loss) per diluted share	$0.14**	$0.41**	$(0.27)	(65.8)%

- The first nine months of fiscal 2021 included 39 weeks versus 40 weeks for the first nine months of fiscal 2020. Also, during the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

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

THIRD QUARTER 2021 YEAR TO DATE HIGHLIGHTS*

($ in millions)

Adjusted (Non-GAAP)**	FY21	FY20	Change $	%
Adjusted net income (loss) from continuing operations	$5.8***	$6.6****	$(0.8)	(11.3)%
Adjusted net income (loss) from continuing operations per share	$0.47***	$0.53****	$(.06)	(11.3)%

*The first nine months of fiscal 2021 included 39 weeks versus 40 weeks for the first nine months of fiscal 2020. Also, during the fourth quarter of fiscal 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations and are presented as a discontinued operation in the company's consolidated financial statements.

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

***Excludes a $4.1 million net income tax charge, which consists of a $7.6 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 the U.S. Treasury regulations enacted during the first quarter of fiscal 2021 regarding the Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017.

****Excludes a $1.5 million income tax charge, which represents the company's estimated GILTI tax incurred through the third quarter of fiscal 2020.

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Q3 SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	Change %
Q3 2020	$68.5	
Mattress fabrics increase	5.1	15.1%
Upholstery fabrics increase	5.7	16.4%
Q3 2021	$79.3	15.8%

Operating Income	Change $	Change %
Q3 2020	$2.7	
Mattress fabrics increase	1.5	85.4%
Upholstery fabrics increase	0.8	27.5%
Unallocated corporate expense increase	(1.0)	47.4%
Q3 2021	$4.0	48.2%

* From continuing operations for the quarterly periods ended January 31, 2021, and February 2, 2020.

Q3 YTD SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	Change %
Q3 YTD 2020	$208.8	
Mattress fabrics increase	6.7	6.2%
Upholstery fabrics increase	5.2	5.2%
Q3 YTD 2021	$220.7	5.7%

Operating Income	Change $	Change %
Q3 YTD 2020	$10.4	
Mattress fabrics increase	1.8	23.8%
Upholstery fabrics decrease	(0.1)	(1.2)%
Unallocated corporate expense increase	(1.7)	24.5%
Q3 YTD 2021	$10.4	0.1%

* From continuing operations for the nine month periods ended January 31, 2021, and February 2, 2020. The first nine months of fiscal 2021 included 39 weeks versus 40 weeks for the first nine months of fiscal 2020.

Q3 MATTRESS FABRICS HIGHLIGHTS

($ in millions)

	Q3 FY21	Q3 FY20	Change $	Change %
Sales	$38.6	$33.5	$5.1	15.1%
Operating Income	3.3	1.8	$1.5	85.4%
Operating Income Margin	8.5%	5.3%		320 bp
Depreciation	$1.4	$1.7	($0.3)	(14.7)%

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Q3 YTD MATTRESS FABRICS HIGHLIGHTS*

($ in millions)

	FY21	FY20	Change $	Change %
Sales	$114.7	$108.1	$6.6	6.2%
Operating Income	9.5	7.7	$1.8	23.8%
Operating Income Margin	8.3%	7.1%		120 bp
Depreciation	$4.6	$5.0	($0.4)	(8.7)%

* For the nine month periods ended January 31, 2021, and February 2, 2020. The first nine months of fiscal 2021 included 39 weeks versus 40 weeks for the first nine months of fiscal 2020.

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Q3 MATTRESS FABRICS KEY POINTS

- Strong growth in sales and operating income for mattress fabrics segment during the third quarter.
- Pandemic has generated greater consumer focus on the at-home experience and overall comfort.
- Improved operating performance reflects higher sales, offset by unfavorable China currency exchange rate for mattress covers and our customers' supply chain disruptions for other non-fabric components.
- The strength and flexibility of the division's global manufacturing and sourcing operations in the U.S., Canada, Haiti, Asia, and Turkey supported current demand trends and helped meet customer needs.
- Results reflect relentless focus on product innovation, creative designs, and dedicated customer attention.
- Recent fourth quarter strategic investment to acquire remaining fifty percent of sewn cover mattress operation in Haiti will provide greater flexibility and capacity to meet customer demand.
- Believe domestic mattress industry and, in turn, mattress fabrics segment, will benefit from recent preliminary antidumping duties imposed by U.S. Department of Commerce on mattress importers from seven countries.
- Barring additional shutdowns or significant disruption in customers' supply chain for raw materials other than fabric, the mattress fabric segment is expected to be well positioned to execute strategy and increase market share during fourth quarter of fiscal 2021.

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Q3 UPHOLSTERY FABRICS HIGHLIGHTS

($ in millions)

	Q3 FY21	Q3 FY20	Change	
			$	%
Sales	$40.7	$35.0	$5.7	16.4%
Operating Income	$3.9	$3.0	$0.9	27.5%
Operating Income Margin	9.5%	8.7%		80 bp
Depreciation	$0.2	$0.2	$0.0	NM

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Q3 YTD UPHOLSTERY FABRICS HIGHLIGHTS*

($ in millions)

	FY21	FY20	Change $	Change %
Sales	$105.9	$100.7	$5.2	5.2%
Operating Income	9.3	9.4	$(0.1)	(1.2)%
Operating Income Margin	8.7%	9.3%		(60) bp
Depreciation	$0.6	$0.6	$0.0	NM

* For the nine month periods ended January 31, 2021, and February 2, 2020. The first nine months of fiscal 2021 included 39 weeks versus 40 weeks for the first nine months of fiscal 2020.

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Q3 UPHOLSTERY FABRICS KEY POINTS

- Better than expected sales for the third quarter, driven by significant increase in residential business as more consumers are focused on the home.
- Experienced lower sales in hospitality business due to continued pandemic-related disruptions to travel and leisure industries.
- Residential business continued to benefit from robust platform in Asia, including expanded cut and sew capabilities in Vietnam and stable, long-term supplier relationships, allowing for quick response to meet upsurge in demand from customers and grow market share.
- Improved operating performance reflects higher sales and lower SG&A, offset somewhat by unfavorable China foreign exchange rates and sales mix.
- Our portfolio of highly durable, stain-resistant LiveSmart® products continued to experience favorable demand trends, reflecting consumer preference for cleanability, ease of maintenance, sustainability and antimicrobial technology.
- Expect strong performance in residential upholstery business to continue, absent additional pandemic-related shutdowns or material disruption in our customers' supply chain.
- Optimistic that as vaccine rollouts continue, the pent-up demand for travel and leisure activities will benefit hospitality business.

FREE CASH FLOW*

($ in millions)

	Q3 FY21 YTD	Q3 FY20 YTD
Net income	1.7	(0.8)
Depreciation, amortization, & stock-based compensation	6.3	7.2
Deferred taxes, other	5.5	5.7
Gross cash flow	13.5	12.1
Cash flow from working capital and changes in other assets/liabilities	8.2	(12.6)
Cash flow from operations	21.7	(0.5)
Capital expenditures, including payments that are vendor financed	(4.3)	(4.1)
Investment in unconsolidated joint venture	(0.1)	0.0
Other	(0.2)	(0.1)
Free cash flow	$17.1	$(4.7)

* See reconciliation at the back of this presentation.

ADJUSTED EBITDA

Reconciliation of Net Income to Adjusted EBITDA

	Quarter Ended May 3, 2020	Quarter Ended August 2, 2020	Quarter Ended November 1, 2020	Quarter Ended January 31, 2021	Trailing 12 Months January 31, 2021
Net (loss) income	$ (27,825)	$ (2,733)	$ 2,384	$ 2,082	$ (26,092)
Loss before income taxes from discontinued operation	8,698	-	-	-	8,698
Income tax expense from continuing operations	704	4,324	1,613	899	7,540
Interest income, net	(37)	(7)	(59)	(90)	(193)
Asset impairments from continuing operations	13,712	—	—	—	13,712
Depreciation expense - continuing operations	1,882	1,822	1,716	1,665	7,085
Amortization expense - continuing operations	117	118	117	115	467
Stock based compensation	(199)	126	348	292	567
Adjusted EBITDA	$ (2,948)	$ 3,650	$ 6,119	$ 4,963	$ 11,784
% Net Sales	(6.2)%	5.7%	8.0%	6.3%	4.4%

	Quarter Ended April 28, 2019	Quarter Ended August 4, 2019	Quarter Ended November 3, 2019	Quarter Ended February 2, 2020	Trailing 12 Months February 2, 2020
Net (loss) income	$ (1,511)	$ 1,174	$ 2,192	$ (4,207)	$ (2,352)
Loss before income taxes from discontinued operation	477	621	441	7,824	9,363
Income tax expense from continuing operations	3,091	1,692	2,279	1,619	8,681
Interest income, net	(221)	(260)	(237)	(258)	(976)
Restructuring credit	—	(35)	—	(35)	(70)
Other non-recurring charges	500	—	—	—	500
Depreciation expense - continuing operations	1,933	1,810	1,893	1,891	7,527
Amortization expense - continuing operations	113	101	102	102	418
Stock based compensation	(243)	154	313	364	588
Adjusted EBITDA	$ 4,139	$ 5,257	$ 6,983	$ 7,300	$ 23,679
% Net Sales	6.2%	7.4%	10.0%	10.7%	8.6%
% Over (Under)	(171.2)%	(30.6)%	(12.4)%	(32.0)%	(50.2)%

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OPERATING WORKING CAPITAL

($ in millions)

	January 31, 2021	February 2, 2020	% Change
Accounts receivable, net	$36.4	$25.8	40.8%
Inventories, net	57.8	54.0	7.0%
Accounts payable	(44.9)	(20.4)	120.1%
Accounts payable – capital expenditures	(0.2)	(0.2)	NM
Operating working capital	$49.0	$59.3	(17.3)%
Percent of sales*	16.7%	21.3%	(460) bp
Days sales outstanding	41.5	33.1	25.2%
Inventory turns	4.7	4.4	6.8%
Days accounts payable outstanding**	61.0	31.6	93.0%

* 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.

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NET CASH, INVESTMENTS, AND EQUITY

($ and share amounts in millions)

	Q3 FY21	Q4 FY20	Q3 FY20
Cash and cash equivalents	$36.0	$69.8	$21.9*
Short-term investments (Available for Sale)	5.5	0.9	7.6
Short-term investments (Held-to-Maturity)	9.8	4.3	3.1
Long-term investments (Held-to-Maturity)	0.5	2.1	2.2
Total cash and investments	$51.8	$77.1	$34.8
Total debt	$ 0.0	$38.4	$ 0.0
Net cash and investments	$51.8	$38.7	$34.8
Shareholders' equity attributable to Culp, Inc.	$128.4	$129.7	$159.8
Shares outstanding	12,308	12,285	12,361
Book value per share	$10.43	$10.56	$12.93

* As of the end of the third quarter of fiscal 2020, cash and cash equivalents totaled $21.9 million, of which $21.6 million and $232,000 were classified as (i) cash and cash equivalents and (ii) within current assets – discontinued operation, respectively, in the accompanying Consolidated Balance Sheets.

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FORWARD LOOKING STATEMENTS

This presentation contains "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management's expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "anticipate," "estimate," "intend," "plan," "project," and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, public health epidemics, or future developments. There can be no assurance that 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. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the global coronavirus pandemic currently affecting countries around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A "Risk Factors" in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

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ABOUT NON-GAAP FINANCIAL INFORMATION

This presentation contains adjusted income statement information, which discloses (i) adjusted net income 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; and (ii) adjusted operating income, a non-GAAP performance measure that eliminates asset impairment charges. 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, as well as asset impairment charges, 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, earnings per share, or operating income calculated in accordance with GAAP. In addition, the calculation of the company's income taxes involves numerous estimates and assumptions, which we have made in good faith.

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

ABOUT NON-GAAP FINANCIAL INFORMATION (2)

This presentation contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net (loss) income 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, 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.

Q3 YTD RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE NINE MONTHS ENDED JANUARY 31, 2021, AND FEBRUARY 2, 2020
Unaudited
(Amounts in Thousands, Except for Per Share Data)

	As Reported January 31, 2021	Adjustments	January 31, 2021 Adjusted Results	**As Reported February 2, 2020**	Adjustments	February 2, 2020 Adjusted Results
Income before income taxes from continuing operations	**$ 8,538**	—	8,538	**$ 10,710**	—	10,710
Income tax expense (1) (2)	**(6,836)**	4,110	(2,726)	**(5,590)**	1,524	(4,066)
Income (loss) from investment in unconsolidated joint venture	**31**	—	31	**(59)**	—	(59)
Net income from continuing operations	**$ 1,733**	4,110	5,843	**$ 5,061**	1,524	6,585
Net income from continuing operations per share - basic	**$ 0.14**		$ 0.48	**$ 0.41**		$ 0.53
Net income from continuing operations per share - diluted	**$ 0.14**		$ 0.48	**$ 0.41**		$ 0.53
Average shares outstanding-basic	**12,297**		12,297	**12,405**		12,405
Average shares outstanding-diluted	**12,299**		12,299	**12,421**		12,421

Notes

(1) The $4.1 million adjustment represents a $7.6 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.

(2) The $1.5 million adjustment represents our estimated GILTI tax incurred through our third quarter of fiscal 2020.

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RECONCILIATION OF FREE CASH FLOW

RECONCILIATION OF FREE CASH FLOW
FOR THE NINE MONTHS ENDED JANUARY 31, 2021, AND FEBRUARY 2, 2020
Unaudited
(Amounts in Thousands)

		FY 2021	FY 2020
A) Net cash provided by (used in) operating activities	$	21,651	(519)
B) Minus: Capital Expenditures		(4,320)	(4,072)
C) Plus: Proceeds from the sale of equipment		12	672
D) Minus: Investment in unconsolidated joint venture		(90)	—
E) Plus: Proceeds from the sale of long-term investments (rabbi trust)		117	—
F) Minus: Purchase of long-term investments (rabbi trust)		(438)	(707)
G) Effects of exchange rate changes on cash and cash equivalents		191	(94)
Free Cash Flow	$	17,123	(4,720)

Q4 FY20 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED MAY 3, 2020
Unaudited
(Amounts in Thousands)

(Amounts in Thousands)	As Reported May 3, 2020	Adjustments	May 3, 2020 Adjusted Results
Gross profit from continuing operations	$ 3,045	$ —	$ 3,045
Selling, general, and administrative expenses	(7,327)	—	(7,327)
Asset impairments [1]	(13,712)	13,712	-
Loss from continuing operations	(17,994)	13,712	(4,282)

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

CULP