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# CULP, INC.

## NYSE: CULP

## First Quarter Fiscal 2021
## Summary Financial Information

September 2, 2020

# FIRST QUARTER FISCAL 2021 FINANCIAL SUMMARY*

- Net sales were $64.5 million, down 8.8 percent over the prior-year period, with mattress fabrics sales down 7.1 percent and upholstery fabrics sales down 11.0 percent.

- Pre-tax income from continuing operations for the first quarter of fiscal 2021 was $1.5 million, compared with pre-tax income from continuing operations of $3.5 million for the prior-year period.

- Net loss from continuing operations for the first quarter of fiscal 2020 was $(2.7) million, or $(0.22) per diluted share, compared with net income from continuing operations of $1.8 million, or $0.14 per diluted share, for the prior-year period.

- Adjusted net income from continuing operations (non-GAAP) was $1.0 million, or $0.08 per diluted share**. Adjusted net income from continuing operations for the prior-year period was $2.0 million, or $0.16 per diluted share***. (See reconciliation table on page 20).

*The first quarter of fiscal 2021 included 13 weeks versus 14 weeks for the first quarter of fiscal 2020. Also, 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.

**This excludes a $3.7 million net income tax charge, which consists of a $7.2 million non-cash income tax charge to record a full valuation allowance against the company's U.S. net deferred income tax assets, partially offset by a $3.5 million non-cash income tax benefit resulting from the re-establishing 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.

***This excludes a $229,000 income tax charge, which represents the company's estimated GILTI tax incurred through the first quarter of fiscal 2020.



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# FIRST QUARTER FISCAL 2021 FINANCIAL SUMMARY (cont'd)

- **The Company's financial position reflected total cash and investments of $47.4 million and no outstanding borrowings as of August 2, 2020. 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 on page 11).**

- **Cash flow from operating activities and free cash flow were $10.6 million and $10.0 million, respectively, compared with cash flow from operations and free cash flow of $2.0 million and $1.0 million, respectively, for the prior-year period. (See reconciliation table on page 21).**

- **The company announced its regular quarterly cash dividend of 10.5 cents per share, payable in October 2020.**



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# FINANCIAL OUTLOOK

- Due to the continued economic impact of the COVID-19 pandemic and the lack of visibility as to its duration or ultimate impact, the company is providing only limited financial guidance for fiscal 2021 at this time.

- Although subject to unforeseen changes that may arise as the pandemic and its economic impact continue to unfold, the company is encouraged by improving business conditions. The company expects sales and operating income for the second quarter of fiscal 2021 to be materially improved as compared to the first quarter, but not reaching the performance achieved in the second quarter of last year, which was an especially strong quarter for the upholstery fabrics segment.

# FIRST QUARTER 2021 HIGHLIGHTS*

**($ in millions)**

| GAAP | Q1 FY21 | Q1 FY20 | Change | |
|---|---|---|---|---|
| | | | $ | % |
| Sales | $64.5 | $70.7 | $(6.2) | (8.8)% |
| Operating income from continuing ops | 1.9 | $3.3 | $(1.4) | (42.9)% |
| Operating income margin | 2.9% | 4.7% | | (180) bp |
| Pre-tax income from continuing ops | $1.5 | $3.5 | $(2.0) | (56.0)% |
| Pre-tax margin | 2.4% | 4.9%* | | (250) bp |
| Net income (loss) from continuing ops | $(2.7)** | $1.8** | $(4.5) | NM |
| Net income (loss) per diluted share | $(0.22)** | $0.14** | $(0.36) | NM |

***** The first quarter of fiscal 2021 included 13 weeks versus 14 weeks for the first quarter 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.



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# FIRST QUARTER 2021 HIGHLIGHTS*

## ($ in millions)

| Adjusted (Non-GAAP)** | Q1 FY21 | Q1 FY20 | Change $ | Change % |
|---|---|---|---|---|
| Adjusted income (loss) from continuing operations | $1.0*** | $2.0**** | $(1.0) | -52.4% |
| Adjusted income (loss) from continuing operations per share | $.08*** | $0.16**** | $(.08) | -52.0% |

* The first quarter of fiscal 2021 included 13 weeks versus 14 weeks for the first quarter 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 to preceding Slide 5 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

*** Excludes a $3.7 million net income tax charge, which consists of a $7.2 million non-cash income tax charge to record a full valuation allowance against the company's U.S. net deferred income tax assets, partially offset by a $3.5 million non-cash income tax benefit resulting from the re-establishing 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 $229,000 income tax charge, which represents the company's estimated GILTI tax incurred through the first quarter of fiscal 2020.

# Q1 SALES & OPERATING INCOME BRIDGES*

($ in millions)

| Sales | Change $ | Change % |
|---|---|---|
| Q1 2020 | $70.7 | |
| Mattress fabrics decrease | (2.7) | (7.1)% |
| Upholstery fabrics decrease | (3.5) | (11.0)% |
| Q1 2021 | $64.5 | (8.8)% |

| Operating Income | Change $ | Change % |
|---|---|---|
| Q1 2020 | $3.3 | |
| Mattress fabrics decrease | (0.8) | (29.6)% |
| Upholstery fabrics decrease | (0.8) | (26.5)% |
| Unallocated corporate expense increase | 0.2 | (7.0)% |
| Q1 2021 | $1.9 | (42.9)% |

* From continuing operations for the quarterly periods ended August 2, 2020, and August 4, 2019. The first quarter of fiscal 2021 included 13 weeks versus 14 weeks for the first quarter of fiscal 2020.



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# FREE CASH FLOW*

($ in millions)

| | Q1 FY21 | Q1 FY20 |
|---|---|---|
| Net income | -2.7 | 1.2 |
| Depreciation, amortization, & stock-based compensation | 2.1 | 2.2 |
| Deferred taxes, other | 3.7 | -0.7 |
| Gross cash flow | 3.1 | 2.7 |
| Cash flow from working capital and changes in other assets/liabilities | 7.5 | (0.7) |
| Cash flow from operations | 10.6 | 2.0 |
| Capital expenditures, including payments that are vendor financed | (0.5) | (0.9) |
| Investment in unconsolidated joint venture | (0.1) | 0.0 |
| Other | 0.0 | (0.1) |
| Free cash flow | $10.0 | $1.0 |

* See reconciliation at the back of this presentation.

# ADJUSTED EBITDA

## Reconciliation of Net Income to Adjusted EBITDA

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

| | Quarter Ended October 28, 2018 | Quarter Ended January 27 2019 | Quarter Ended April 28, 2019 | Quarter Ended August 4, 2019 | Trailing 12 Months August 4, 2019 |
|---|---|---|---|---|---|
| Net income (loss) | $ 2,944 | $ 3,060 | $ (1,511) | $ 1,174 | $ 5,667 |
| (Income) loss before income taxes from discontinued operations | (37) | 313 | 477 | 621 | 1,374 |
| Income tax expense from continuing operations | 1,270 | 1,274 | 3,091 | 1,692 | 7,327 |
| Interest income, net | (141) | (259) | (221) | (260) | (881) |
| Restructuring credit and related charges | (791) | 340 | — | (35) | (486) |
| Other non-recurring charges | 249 | 429 | 500 | — | 1,178 |
| Depreciation expense - continuing operations | 1,949 | 1,934 | 1,933 | 1,810 | 7,626 |
| Amortization expense - continuing operations | 140 | 126 | 113 | 101 | 480 |
| Stock based compensation | 395 | 479 | (243) | 154 | 785 |
| Adjusted EBITDA | $ 5,978 | $ 7,696 | $ 4,139 | $ 5,257 | $ 23,070 |
| % Net Sales | 8.3% | 10.5% | 6.2% | 7.4% | 8.1% |
| % Over (Under) | 11.0% | (38.8)% | (171.2)% | (30.6)% | (47.8)% |



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# OPERATING WORKING CAPITAL

($ in millions)

| | August 2, 2020 | August 4, 2019 | % Change |
|---|---|---|---|
| Accounts receivable, net | $29.9 | $23.7 | 26.3% |
| Inventories, net | 40.4 | 47.6 | (15.1)% |
| Accounts payable | (25.7) | (21.9) | 17.8% |
| Accounts payable – capital expenditures | (0.3) | (0.1) | NM |
| Operating working capital | $44.3 | $49.3 | (10.4)% |
| Percent of sales* | 17.1% | 17.4% | (30) bp |
| Days sales outstanding | 41.2 | 30.6 | 34.5% |
| Inventory turns | 5.3 | 4.5 | 18.4% |
| Days accounts payable outstanding** | 44.3 | 37.0 | 17.1% |

* 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)

| | Q1 FY21 | Q4 FY20 | Q1 FY20 |
|---|---|---|---|
| Cash and cash equivalents | $40.0 | $69.8 | $44.2 |
| Short-term investments (Available for Sale) | 1.0 | 0.9 | 0.0 |
| Short-term investments (Held-to-Maturity) | 5.1 | 4.3 | 0.0 |
| Long-term investments (Held-to-Maturity) | 1.3 | 2.1 | 0.0 |
| Total cash and investments | $47.4 | $77.1 | $44.2 |
| Total debt | $ 0.0 | $38.4 | $ 0.0 |
| Net cash and investments | $47.4 | $38.7 | $44.2 |
| | | | |
| Shareholders' equity attributable to Culp, Inc. | $125.9 | $129.7 | $160.1 |
| Shares outstanding | 12,292 | 12,285 | 12,405 |
| Book value per share | $10.24 | $10.56 | $12.91 |

# Q1 MATTRESS FABRICS HIGHLIGHTS

**($ in millions)**

| | Q1 FY21 | Q1 FY20 | Change $ | Change % |
|---|---|---|---|---|
| Sales | $36.1 | $38.9 | $(2.8) | (7.1)% |
| Operating Income (Loss) | 1.8 | 2.6 | $(0.8) | (29.6)% |
| Operating Income Margin | 5.1% | 6.7% | | (160) bp |
| Depreciation | $1.6 | $1.6 | $0.0 | 0.7% |

# Q1 MATTRESS FABRICS KEY POINTS

- Mattress fabrics sales and operating performance for the first quarter of fiscal 2021 were affected by the ongoing disruption from the COVID-19 pandemic but saw solid improvement during the quarter as business conditions began to normalize .
- While the beginning of the quarter was materially affected by the virus, we experienced a greater than anticipated increase in demand beginning in mid-May as government restrictions were lifted and customers and retail stores resumed operations.
- This increase continued throughout the quarter across all product offerings, including the CLASS mattress cover business, approximating pre-pandemic levels at quarter end.
- All previously furloughed workers were returned to work and production schedules were rapidly expanded to meet this growing demand, with sales increasing by approximately 60 percent from the fourth quarter of fiscal 2020 to the first quarter of fiscal 2021.
- Although energized by the sequential growth in sales and improving business conditions for the quarter, operating performance was negatively affected by manufacturing inefficiencies associated with the dramatic ramp up in operations, as well as significant inventory reductions.
- Despite these challenges, business conditions appear to be stabilizing and are expected to result in improved profitability going forward, barring additional disruption related to the pandemic.
- To support future growth plans, we are investing in additional equipment to expand capacity in North America.
- The strength and flexibility of the division’s global manufacturing and sourcing operations in the U.S., Canada, Haiti, Asia, and Turkey have it well positioned to execute on strategy and support the current environment surrounding the changing demands of customers.

# Q1 UPHOLSTERY FABRICS HIGHLIGHTS

($ in millions)

| | Q1 FY21 | Q1 FY20 | Change | |
|---|---|---|---|---|
| | | | $ | % |
| Sales | $28.4 | $31.9 | $(3.5) | (11.0)% |
| Operating Income | $2.1 | $2.9 | $(0.8) | (26.5)% |
| Operating Income Margin | 7.5% | 9.0% | | (150) bp |
| Depreciation | $0.2 | $0.2 | $0.0 | 0.5% |



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# Q1 UPHOLSTERY FABRICS KEY POINTS

- Unprecedented disruption from COVID-19 pandemic continued to affect sales and operating results for the first quarter.
- Began first quarter slowly, with a gradual increase in orders and shipments beginning in mid-May as customers and retail stores started to reopen, followed by a swift upturn during the month of June and further acceleration to end the quarter.
- Returned all previously furloughed workers to meet the rapid increase in demand.
- Strong platform in Asia, including cut and sew capabilities in Vietnam and stable supply chain, has allowed for quick response to meet the needs of customers.
- Improvement throughout the quarter reflects increased demand in most businesses, including residential upholstery business, which features our popular lines of LiveSmart® and LiveSmart Evolve™ performance fabrics, as well as the Read Window Products portion of hospitality business.
- Benefitted from ability to continue representing products for customers through innovative virtual showcase presentations.
- Strong product placements with customers prior to COVID-19 outbreak have also advance recovery as business conditions improve.



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# CULP, INC.

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# FORWARD LOOKING STATEMENTS

*This presentation contains "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements to reflect any changes in management's expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "anticipate," "estimate," "intend," "plan," "project," and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, public health epidemics, or future developments. There can be no assurance that 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 Form 10-K filed with the Securities and Exchange Commission on July 17, 2020 for the fiscal year ended May 3, 2020, and our subsequent periodic 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 adjusted net income, adjusted earnings per share, and adjusted income tax rate information, all non-GAAP performance measures that eliminate a non-cash income tax charge in connection with the recordation of a full valuation allowance against the Company's U.S. net deferred income tax assets, as well as a non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with the recently enacted final regulations regarding the Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017. The company has included this adjusted information in order to show operational performance excluding the effects of this non-cash income tax charge and non-cash income tax benefit, which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes this presentation aids in the comparison of financial results among comparable financial periods. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income, earnings per share, or income tax rate information 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 (if any), less premium payments on life insurance policies (if any), 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 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 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 expense from continuing operations, amortization expense, 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.*

# Q1 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED AUGUST 2, 2020 AND AUGUST 4, 2019

| | THREE MONTHS ENDED (UNAUDITED) | | | | | |
|---|---|---|---|---|---|---|
| | **As Reported August 2, 2020** | Adjustments | August 2, 2020 Adjusted Results | **As Reported August 4, 2019** | Adjustments | August 4, 2019 Adjusted Results |
| Income before income taxes from continuing operations | $ **1,524** | — | 1,524 | $ **3,463** | — | 3,463 |
| Income tax expense (1) (2) | **(4,324)** (3) | 3,691 | (633) (4) | **(1,692)** (5) | 229 | (1,463) (6) |
| Income from investment in unconsolidated joint venture | **67** | — | 67 | **13** | — | 13 |
| (Loss) income from continuing operations | $ **(2,733)** | 3,691 | 958 | $ **1,784** | 229 | 2,013 |
| Net (loss) income from continuing operations per share - basic | $ **(0.22)** | | $ 0.08 | $ **0.14** | | $ 0.16 |
| Net (loss) income from continuing operations per share - diluted | $ **(0.22)** | | $ 0.08 | $ **0.14** | | $ 0.16 |
| Average shares outstanding-basic | **12,287** | | 12,287 | **12,399** | | 12,399 |
| Average shares outstanding-diluted | **12,287** | | 12,294 | **12,410** | | 12,410 |

Notes

(1) The $3.7 million adjustment represents a $7.2 million non-cash income tax charge to record a full valuation allowance against the company's U.S. net deferred income tax assets, partially offset by a $3.5 million non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with U.S. Treasury regulations enacted during our first quarter regarding Global Intangible Low Taxed Income ("GILTI") tax provisions of the Tax Cuts and Jobs Act of 2017.

(2) The $229 thousand adjustment represents our estimated GILTI tax incurred through our first quarter of fiscal 2020.

(3) Based on an income tax rate of 283.7%.

(4) Based on an adjusted income tax rate (non-GAAP) of 41.5%.

(5) Based on an income tax rate of 48.9%.

(6) Based on an adjusted income tax rate (non-GAAP) of 42.2%.

# RECONCILIATION OF FREE CASH FLOW

**RECONCILIATION OF FREE CASH FLOW**
**FOR THE THREE MONTHS ENDED AUGUST 2, 2020, AND AUGUST 4, 2019**
**(UNAUDITED)**
**(AMOUNTS IN THOUSANDS)**

| **(1) Free Cash Flow reconciliation is as follows:** | **FY 2021** | FY 2020 |
|---|---|---|
| A) Net cash provided by operating activities | **$ 10,581** | 2,023 |
| B) Minus: Capital Expenditures | **(500)** | (935) |
| C) Plus: Proceeds from the sale of property, plant, and equipment | — | 209 |
| D) Minus: Investment in unconsolidated joint venture | **(90)** | — |
| E) Plus: Proceeds from the sale of long-term investments (Rabbi Trust) | **39** | — |
| F) Minus: Purchase of long-term investments (Rabbi Trust) | **(78)** | (259) |
| G) Effects of exchange rate changes on cash and cash equivalents | **35** | (52) |
| Free Cash Flow | **$ 9,987** | 986 |