

**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) December 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,” “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, 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. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. For our home accessories segment, if we are not successful in our refined business model and strategic focus, we may determine that impairment indicators exist, which could result in possible future write-downs in accordance with our policy, as described in our Form 10-Q filed with the Securities and Exchange Commission on September 13, 2019 for the quarterly period ended August 4, 2019. 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 December 5, 2019, we issued a news release to announce our financial results for our second quarter and six months ended November 3, 2019. The news release is attached hereto as Exhibit 99(a).

Also, on December 5, 2019, we released a Financial Information Release containing additional financial information and disclosures about our second quarter and six months ended November 3, 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 as well as other non-recurring charges or credits associated with our business. The company has included this adjusted information in order to show operational performance excluding the effects of 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, as well as other non-recurring items, 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 December 5, 2019

99(b) Financial Information Release dated December 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: December 5, 2019

EXHIBIT INDEX

Exhibit Number

Exhibit

[99\(a\)](#)

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

[99\(b\)](#)

[Financial Information Release dated December 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

CULP ANNOUNCES RESULTS FOR SECOND QUARTER FISCAL 2020

***Board of Directors Authorizes Five Percent Increase
in Quarterly Cash Dividend***

HIGH POINT, N.C. (December 5, 2019) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the second quarter ended November 3, 2019.

Fiscal 2020 Second Quarter Highlights

- Net sales were \$72.6 million, down 5.7 percent over the prior year, with mattress fabrics sales down 4.7 percent, upholstery fabrics sales down 3.2 percent, and home accessories sales down 31.5 percent.
- Pre-tax income was \$4.1 million, compared with \$4.3 million for the prior-year period. The results for the second quarter of last year were \$3.7 million excluding restructuring and related charges and credits and other non-recurring items resulting in a net benefit of approximately \$543,000. (See reconciliation table on page 8).
- Net income attributable to Culp, Inc. shareholders was \$2.3 million, or \$0.19 per diluted share, compared with net income of \$2.9 million, or \$0.23 per diluted share, in the prior-year period. The results for the second quarter of fiscal 2019 include the restructuring and related charges and credits and other non-recurring items noted above.
- The company's financial position reflected total cash and investments of \$47.2 million and outstanding borrowings totaling \$925,000 as of November 3, 2019, for a net cash position of \$46.3 million. (See summary of cash and investments table on page 7).
- The company announced a five percent increase in its quarterly cash dividend to an annualized \$0.42 per share, commencing in the third quarter of fiscal 2020. Notably, this is the company's seventh straight year of increasing its annual dividend.
- Cash flow from operations and free cash flow for the first six months of fiscal 2020 were \$8.2 million and \$5.6 million, respectively, compared with cash flow from operations and free cash flow of \$6.6 million and \$3.6 million, respectively, for the prior-year period. (See reconciliation table on page 7).

Financial Outlook

- The projection for the third quarter of fiscal 2020 is for overall sales to be comparable to the same period last year. Pre-tax income for the third quarter of fiscal 2020 is expected to be in the range of \$3.2 million to \$3.8 million. Pre-tax income for the third quarter of fiscal 2019 was \$4.3 million, which included a net charge of approximately \$769,000 in restructuring and related charges and credits and other non-recurring items. Excluding these charges, pre-tax income for the third quarter of fiscal 2019 was \$5.0 million.
- The company's performance for the fourth quarter of fiscal 2020 is currently expected to be significantly better than the results achieved in the fourth quarter of fiscal 2019, and as a result, the company's performance for the second half of fiscal 2020 is currently expected to be better than the results achieved during the second half of fiscal 2019.
- Free cash flow for fiscal 2020 is expected to be comparable to last year's results, even with continued uncertainty in the geopolitical environment.

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Second Quarter Fiscal 2020 Financial Results

For the second quarter ended November 3, 2019, net sales were \$72.6 million, compared with \$77.0 million a year ago. On a pre-tax basis, the company reported income of \$4.1 million, compared with pre-tax income of \$4.3 million for the prior-year period. The financial results for the second quarter of fiscal 2019 included a net benefit of approximately \$543,000 in restructuring and related charges and credits and other non-recurring items, due mostly to the closure of the company's Anderson, South Carolina, production facility. Excluding this net credit, pre-tax income for the second quarter of last year was \$3.7 million.

The company reported net income attributable to Culp, Inc. shareholders of \$2.3 million, or \$0.19 per diluted share, for the second quarter of fiscal 2020, compared with net income of \$2.9 million, or \$0.23 per diluted share, for the second quarter of fiscal 2019. The results for the second quarter of fiscal 2019 include the restructuring and related charges and credits and other non-recurring items noted above.

The effective income tax rate for the second quarter of fiscal 2020 was 46.2 percent compared with 29.8 percent for the same period a year ago. The increase in the company's effective income tax rate reflects a significant increase in the company's Global Intangible Low Taxed Income (GILTI) Tax, which represents a U.S. income tax on the company's foreign earnings. The continued shift in mix of taxable income that is mostly earned by the company's foreign operations located in China and Canada at higher income tax rates in relation to the U.S. has also contributed to this increase in the company's effective tax rate. Importantly, income taxes incurred in the U.S. on a cash basis for fiscal 2020 are expected 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 with our performance for the second quarter of fiscal 2020. While we had a modest drop in overall sales compared with the prior-year period, we had an improved operating performance in both our mattress fabrics and upholstery fabrics businesses. We believe the domestic mattress industry is still working to stabilize from the disruption related to low-cost mattress imports from China, and the continuing variability in the market is evidenced in recent industry sales reports. We are monitoring the development and demand trends among our legacy mattress customers and the rapidly growing roll-packed (boxed) bedding segment. With our broad product mix and flexible manufacturing platform, we have been able to respond to these changing demand trends. Additionally, while our upholstery fabrics business has been affected by ongoing trade disputes and international tariffs, we were pleased with our ability to make supply chain adjustments to address these challenges and meet the needs of our customers. We also continued to refine our strategies for Culp Home Accessories, our finished products business, and we believe we are making progress in positioning this business for sequential improvement. We remain focused on leveraging this new online sales platform to expand our market reach with new products and customers.

"In each of our businesses, we are maintaining our product-driven emphasis with an unwavering commitment to product innovation and creative designs. With the support of our 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 plans and to continue returning funds to our shareholders. We are proud to announce another dividend increase commencing in the third quarter, marking our seventh consecutive year of increasing the annual dividend," added Saxon.

Mattress Fabrics Segment

Mattress fabrics sales for the second quarter were \$35.5 million, down 4.7 percent compared with \$37.2 million for the second quarter of fiscal 2019.

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“Our results for the second quarter of fiscal 2020 reflect changing market dynamics as the mattress industry attempts to recover from the turmoil surrounding the influx of Chinese imports and the subsequent anti-dumping measures,” said Iv Culp, president and chief operating officer of Culp. “While demand is softer in our legacy mattress fabrics business, we experienced very favorable demand trends for mattress covers from customers in the popular and expanding boxed bedding space. As a result, CLASS, our sewn mattress cover business, delivered an exceptionally strong performance for the second quarter, and we are optimistic about additional opportunities with existing and new customers. Our robust supply platform for covers, including our production locations in the U.S., Haiti, and Asia, supports diversification and creates a strong competitive advantage for Culp, with the versatility and scalability necessary to serve our customers in an expanding global environment.

“We delivered an improved operating performance for the second quarter despite the modest decline in sales. Our recent investments in infrastructure and our focused efforts to rationalize both fabric and sewn cover production in the most cost-effective locations improved our operating efficiency. We also benefited from more favorable raw material prices compared with the second quarter last year.

“Our ability to offer a broad product mix with a relentless commitment to product innovation distinguishes Culp in the marketplace. The recent addition of a dedicated innovation team ensures we are developing and offering the latest technologies and forward-looking products to our customers. We have also expanded our creative staff to offer enhanced design capabilities that complement our innovation strategy, and we are releasing a new digital library platform during the third quarter to support our marketing efforts. We are excited about the opportunities to further leverage these capabilities and expand our market reach.

“Looking ahead, we believe Culp is well positioned in the marketplace, especially as conditions improve from the continued decline in China mattress imports and a more stable demand environment for legacy customers. We are meeting the changing demands of our customers with creative designs, innovative products, and an efficient global platform with the critical abilities to provide vertical product offerings from fabrics to sewn covers. We also intend to expand the footprint of our CLASS sewn cover operations in Haiti and Asia during the second half of fiscal 2020, giving us further flexibility and capacity for serving the needs of our customers in the boxed bedding space. 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 \$33.9 million for the second quarter, down 3.2 percent compared with sales of \$35.0 million in the second quarter of fiscal 2019.

“Our upholstery fabrics sales were in line with expectations for the second quarter of fiscal 2020,” noted Boyd Chumbley, president of Culp’s upholstery fabrics division. “The slight drop in sales over the prior-year period reflects the continued soft retail environment for residential furniture, ongoing issues surrounding international trade agreements and the associated tariffs, as well as the loss of a product category due to the closure of the Anderson, South Carolina, production facility during the second quarter of fiscal 2019.

“We are satisfied with the execution of our plans during the second quarter, as we benefited from strong product innovation. We experienced favorable demand trends from our residential furniture customers for our popular line of highly durable, stain-resistant, LiveSmart® performance fabrics. Our recent introduction of LiveSmart Evolve™, a new line of fabrics featuring the same performance combined with recycled fibers, has been very well received as a product that fulfills the desires of environmentally conscious consumers. We are focused on promoting these brands and are pleased with the strong customer placements for these products following a successful October furniture market. We also recently launched a new outdoor product line, LiveSmart Outdoor™, which pairs performance with the ability to withstand the outdoor elements. This product line builds on the strength of our LiveSmart brand and has been well received at recent showings. Additionally, our overall sales reflect favorable growth trends with our hospitality customers, as we continued to expand our market reach into this segment. Read Window Products (RWP), our window treatment and installation services business, supports this strategy, and we are optimistic about the future contribution from RWP. We have also recently strengthened our creative team to further support our commitment to creating innovative products and creative designs that meet the changing demands of our customers.

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“Our improved operating performance for the second quarter of fiscal 2020 reflects a more favorable product mix, due to the marketing success of our branded products and the diversification of our customer base to include more hospitality business. We also benefited from a more favorable currency exchange rate than we experienced a year ago.

“We have made supply chain adjustments and product engineering changes to mitigate the impact of recently imposed tariffs and to meet the needs of our customers. We continue to develop our strategic partner relationships in Vietnam for additional sourcing of our cut and sewn kits, and we will further pursue this opportunity and other sourcing options to support our valued customers through the ongoing trade disputes between the U.S. and China.

“Going forward, while geopolitical uncertainties remain, we are optimistic about the opportunities for Culp. We believe we have a strong strategy in place for upholstery fabrics and are well positioned for the long term,” added Chumbley.

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 \$3.3 million for the second quarter of fiscal 2020, compared with \$4.8 million for the second quarter of fiscal 2019.

Commenting on the results, Culp said, “The sales and operating performance for our home accessories segment were in line with expectations, as we further refined our business model. We are working diligently to execute new strategies with a more aggressive approach to the business-to-business market, along with greater customer diversification and new online retail marketplaces. We have implemented key initiatives that are already driving improvement and creating greater long-term opportunities. We also remain dedicated to improving our performance on Amazon, a principal sales channel for our legacy e-commerce business. As noted in recent press reports, the Amazon marketplace, and many of its trusted third-party sellers, have been affected by new sellers operating outside of Amazon’s normal terms of service. We are collaboratively discussing several options and rationalizing our offerings to enhance this sales channel. In addition, we continue to develop new products that are synergistic with the company’s core businesses, and we 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,” added Ken Bowling, executive vice president and chief financial officer of Culp, Inc. “We reported \$47.2 million in total cash and investments and outstanding borrowings totaling \$925,000 as of November 3, 2019, for a net cash position of \$46.3 million. For the first six months of fiscal 2020, we incurred \$2.4 million in capital expenditures and spent \$2.5 million on regular dividends. We also generated cash flow from operations of \$8.2 million and free cash flow of \$5.6 million for the first six months of the year, compared with cash flow from operations of \$6.6 million and free cash flow of \$3.6 million for the prior-year period (See reconciliation table on page 7).

Dividends and Share Repurchases

The company also announced that the board of directors approved a five percent increase in the company’s quarterly cash dividend to 10.5 cents per share, or 42 cents per share on an annualized basis, marking the seventh straight year of increasing the annual dividend. The next quarterly payment will be made on January 17, 2020, to shareholders of record as of January 8, 2020.

The company did not repurchase any shares during the second quarter of fiscal 2020, leaving \$5.0 million available under the share repurchase program approved by the Board in September 2019.

Since June 2011, the company has returned approximately \$66 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

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Financial Outlook

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

“We expect mattress fabrics sales to be slightly down and operating income and margins to be moderately down, compared with the third quarter of fiscal 2019. The third quarter is a traditionally slower sales period and is affected by the loss of multiple weeks of production and distribution for our CLASS cover business as a result of government-mandated holiday shutdowns in Haiti and the timing of Chinese New Year. The impact of these seasonal shutdowns during this period is greater this year, as compared to the third quarter of fiscal 2019, because the CLASS sewn cover business is a more significant part of our current operations.

“For the fourth quarter of fiscal 2020, we currently expect sales to increase slightly and operating income and margins to be significantly up as compared to the fourth quarter of fiscal 2019. We anticipate benefits from a return to strong growth for our CLASS cover business, continued improvement in overall industry conditions, and improved operating efficiencies across all product lines. As a result, we expect sales for the second half of fiscal 2020 to be comparable to sales for the second half of fiscal 2019, and operating income and margins for the period are expected to be moderately higher as compared with the second half of the prior year.

“In our upholstery fabrics segment, we expect third quarter sales and operating income and margins to be comparable to the same period last year. Similarly, for the second half of fiscal 2020, we also expect sales and operating income and margins to be comparable to the second half of fiscal 2019.

“In our home accessories segment, we expect third quarter sales to be slightly down compared to the third quarter of fiscal 2019, as we continue to 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 second quarter of fiscal 2020. For the fourth quarter, we expect operating performance to be near break-even.

“Considering these factors, as well as increased unallocated corporate expenses due primarily to higher incentive compensation expense as compared to the third quarter of fiscal 2019, the company expects to report pre-tax income for the third quarter of 2020 in the range of \$3.2 million to \$3.8 million, excluding any restructuring and related charges or credits and impairment charges, if any. Pre-tax income for last year’s third quarter was \$4.3 million, which included a net charge of approximately \$769,000 in restructuring and related charges and credits and other non-recurring items. Excluding these charges, pre-tax income for the third quarter of fiscal 2019 was \$5.0 million. The company currently expects our performance for the fourth quarter of fiscal 2020 to be significantly better than the results achieved in the fourth quarter of fiscal 2019, and as a result, our performance for the second half of fiscal 2020 is currently expected to be better than the results achieved during the prior-year period.

“Based on our current budget, capital expenditures for fiscal 2020 are expected to be in the \$7.5 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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This release 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, 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. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. For our home accessories segment, if we are not successful in our refined business model and strategic focus, we may determine that impairment indicators exist, which could result in possible future write-downs in accordance with our policy, as described in our Form 10-Q filed with the Securities and Exchange Commission on September 13, 2019 for the quarterly period ended August 4, 2019. 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)

	Three Months Ended		Six Months Ended	
	November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
Net sales	\$ 72,619,000	\$ 77,006,000	\$ 147,466,000	\$ 148,479,000
Income before income taxes	\$ 4,106,000	\$ 4,275,000	\$ 6,949,000	\$ 6,223,000
Net income attributable to Culp, Inc.	\$ 2,300,000	\$ 2,933,000	\$ 3,638,000	\$ 3,890,000
Net income per share:				
Basic	\$ 0.19	\$ 0.23	\$ 0.29	\$ 0.31
Diluted	\$ 0.19	\$ 0.23	\$ 0.29	\$ 0.31
Average shares outstanding:				
Basic	12,408,000	12,515,000	12,403,000	12,512,000
Diluted	12,408,000	12,551,000	12,413,000	12,612,000

Summary of Cash and Investments
November 3, 2019, October 28, 2018, and April 28, 2019
(Unaudited)
(Amounts in Thousands)

	Amounts		
	November 3, 2019	October 28, 2018	April 28, 2019 *
Cash and cash equivalents	\$ 47,183	\$ 14,768	\$ 40,008
Short-term investments - Held-To-Maturity	-	26,719	5,001
Total cash and investments	<u>\$ 47,183</u>	<u>\$ 41,487</u>	<u>\$ 45,009</u>

*Derived from audited financial statements.

Reconciliation of Free Cash Flow
For the Six Months Ended November 3, 2019 and October 28, 2018
(Unaudited)
(Amounts in thousands)

	Six Months Ended November 3, 2019	Six Months Ended October 28, 2018
Net cash provided by operating activities	\$ 8,247	\$ 6,600
Minus: Capital Expenditures	(2,410)	(2,096)
Plus: Proceeds from the sale of property, plant, and equipment	363	1,280
Minus: Investment in unconsolidated joint venture	-	(100)
Minus: Payments on vendor-financed capital expenditures	-	(1,412)
Minus: Purchase of long-term investments (Rabbi Trust)	(479)	(526)
Effect of exchange rate changes on cash and cash equivalents	(91)	(169)
Free Cash Flow	<u>\$ 5,630</u>	<u>\$ 3,577</u>

-MORE-

**Reconciliation of Selected Income Statement Information to Adjusted Results
For Three Months Ended November 3, 2019
(Unaudited)**

	As Reported November 3, 2019	Adjustments	November 3, 2019 Adjusted Results
Net Sales	\$ 72,619	\$ -	\$ 72,619
Cost of Sales	58,516	-	58,516
Gross Profit	14,103	-	14,103
Selling, general, and administrative expenses	10,120	-	10,120
Restructuring credit	-	-	-
Income from operations	3,983	-	3,983
Interest expense	30	-	30
Interest income	(240)	-	(240)
Other expense	87	-	87
Income before income taxes	\$ 4,106	\$ -	\$ 4,106

**Reconciliation of Selected Income Statement Information to Adjusted Results
For Three Months Ended October 28, 2018
(Unaudited)**

	As Reported October 28, 2018	Adjustments	October 28, 2018 Adjusted Results
Net Sales	\$ 77,006	\$ -	\$ 77,006
Cost of Sales (1)	63,680	(429)	63,251
Gross Profit	13,326	(429)	13,755
Selling, general, and administrative expenses (2)	10,103	(89)	10,014
Restructuring credit (3)	(1,061)	1,061	-
Income from operations	4,284	543	3,741
Interest expense	18	-	18
Interest income	(151)	-	(151)
Other expense	142	-	142
Income before income taxes	\$ 4,275	\$ 543	\$ 3,732

- (1) The \$429 represents a restructuring related charge of \$270 for other operating costs associated with our closed Anderson, SC upholstery fabrics facility and a non-recurring charge of \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (2) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (3) The \$1.1 million restructuring credit represents a \$1.1 million gain for the sale of equipment partially offset by a charge of \$63 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

-MORE-

**Reconciliation of Selected Income Statement Information to Adjusted Results
For Six Months Ended November 3, 2019
(Unaudited)**

	As Reported November 3, 2019	Adjustments	November 3, 2019 Adjusted Results
Net Sales	\$ 147,466	\$ -	\$ 147,466
Cost of Sales	119,998	-	119,998
Gross Profit	27,468	-	27,468
Selling, general, and administrative expenses	20,831	-	20,831
Restructuring credit (1)	(35)	35	-
Income from operations	6,672	35	6,637
Interest expense	39	-	39
Interest income	(490)	-	(490)
Other expense	174	-	174
Income before income taxes	<u>\$ 6,949</u>	<u>\$ 35</u>	<u>\$ 6,914</u>

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

**Reconciliation of Selected Income Statement Information to Adjusted Results
For Six Months Ended October 28, 2018
(Unaudited)**

	As Reported October 28, 2018	Adjustments	October 28, 2018 Adjusted Results
Net Sales	\$ 148,479	\$ -	\$ 148,479
Cost of Sales (1)	124,594	(1,994)	122,600
Gross Profit	23,885	(1,994)	25,879
Selling, general, and administrative expenses (2)	18,136	(89)	18,047
Restructuring credit (3)	(610)	610	-
Income from operations	6,359	(1,473)	7,832
Interest expense	38	-	38
Interest income	(301)	-	(301)
Other expense	399	-	399
Income before income taxes	<u>\$ 6,223</u>	<u>\$ (1,473)</u>	<u>\$ 7,696</u>

(1) The \$2.0 million represents a restructuring related charge of \$1.6 million for inventory markdowns and \$270 for operating costs associated with the closure of our Anderson, SC upholstery fabrics facility, as well as \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.

(2) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.

(3) The \$610 restructuring credit represents a \$1.1 million gain for the sale of equipment partially offset by a charge of \$513 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THREE MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED					
	(4)	Amounts (4)		% Over (Under)	Percent of Sales	
	November 3, 2019	October 28, 2018	November 3, 2019		October 28, 2018	
Net sales	\$ 72,619	77,006		(5.7)%	100.0%	100.0%
Cost of sales	<u>58,516</u>	63,680	(1) (3)	(8.1)%	<u>80.6%</u>	82.7%
Gross profit	<u>14,103</u>	13,326		5.8%	<u>19.4%</u>	17.3%
Selling, general and administrative expenses	10,120	10,103	(3)	0.2%	13.9%	13.1%
Restructuring credit	-	(1,061)	(2)	(100.0)%	0.0%	(1.4)%
Income from operations	<u>3,983</u>	4,284		(7.0)%	5.5%	5.6%
Interest expense	30	18		66.7%	0.0%	0.0%
Interest income	(240)	(151)		58.9%	(0.3)%	(0.2)%
Other expense	87	142		(38.7)%	0.1%	0.2%
Income before income taxes	<u>4,106</u>	4,275		(4.0)%	5.7%	5.6%
Income tax expense *	1,898	1,276		48.7%	46.2%	29.8%
Loss from investment in unconsolidated joint venture	16	55		(70.9)%	0.0%	0.1%
Net income	<u>2,192</u>	2,944		(25.5)%	3.0%	3.8%
Net loss (income) attributable to non-controlling interest	108	(11)		N.M.	0.1%	(0.0)%
Net income attributable to Culp Inc. common shareholders	<u>\$ 2,300</u>	<u>2,933</u>		(21.6)%	3.2%	3.8%
Net income attributable to Culp Inc. common shareholders per share - basic	\$ 0.19	\$ 0.23		(17.4)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.19	\$ 0.23		(17.4)%		
Average shares outstanding-basic	12,408	12,515		(0.9)%		
Average shares outstanding-diluted	12,408	12,551		(1.1)%		

* 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 October 28, 2018, includes a \$270 restructuring related charge for operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (2) The \$1.1 million restructuring credit represents a \$1.1 million gain on the sale of equipment partially offset by a charge of \$63 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (3) During the three-month period ending October 28, 2018, our mattress fabrics segment incurred non-recurring charges totaling \$248 that pertained to employee termination benefits and other operational reorganization costs. Of the total \$248 total non-recurring charge, \$159 and \$89 were recorded in cost of sales and selling, general, and administrative expenses, respectively.
- (4) See page 8 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods November 3, 2019 and October 28, 2018, which exclude certain charges and credits.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR SIX MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	SIX MONTHS ENDED				
	(4) Amounts (4)		% Over (Under)	Percent of Sales	
	November 3, 2019	October 28, 2018		November 3, 2019	October 28, 2018
Net sales	\$ 147,466	148,479	(0.7)%	100.0%	100.0%
Cost of sales	<u>119,998</u>	<u>124,594</u>	(1) (3)	<u>81.4%</u>	<u>83.9%</u>
Gross profit	<u>27,468</u>	23,885	15.0%	<u>18.6%</u>	16.1%
Selling, general and administrative expenses	20,831	18,136	(3) 14.9%	14.1%	12.2%
Restructuring credit	<u>(35)</u>	<u>(610)</u>	(2) (94.3)%	<u>(0.0)%</u>	<u>(0.4)%</u>
Income from operations	<u>6,672</u>	6,359	4.9%	4.5%	4.3%
Interest expense	39	38	2.6%	0.0%	0.0%
Interest income	(490)	(301)	62.8%	(0.3)%	(0.2)%
Other expense	174	399	(56.4)%	0.1%	0.3%
Income before income taxes	<u>6,949</u>	6,223	11.7%	4.7%	4.2%
Income tax expense *	3,580	2,182	64.1%	51.5%	35.1%
Loss from investment in unconsolidated joint venture	3	132	(97.7)%	0.0%	0.1%
Net income	<u>3,366</u>	3,909	(13.9)%	2.3%	2.6%
Net loss (income) attributable to non-controlling interest	<u>272</u>	(19)	N.M.	0.2%	(0.0)%
Net income attributable to Culp Inc. common shareholders	<u>\$ 3,638</u>	<u>3,890</u>	<u>(6.5)%</u>	<u>2.5%</u>	<u>2.6%</u>
Net income attributable to Culp Inc. common shareholders per share - basic	\$ 0.29	\$ 0.31	(6.5)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$ 0.29	\$ 0.31	(6.5)%		
Average shares outstanding-basic	12,403	12,512	(0.9)%		
Average shares outstanding-diluted	12,413	12,612	(1.6)%		

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

Notes

- (1) Cost of sales for the six-month period ending October 28, 2018, includes restructuring related charges totaling \$1.8 million, of which \$1.6 million pertains to inventory markdowns and \$270 pertains to other operating costs associated with our closed upholstery fabrics facility located in Anderson, SC.
- (2) The \$35 restructuring credit for the six-month period ending November 3, 2019, represents employee termination benefits associated with the closure of our Anderson, SC facility. The \$610 restructuring credit for the six-month period ending October 28, 2018, represents a \$1.1 million gain on the sale of equipment partially offset by a charge of \$513 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.
- (3) During the six-month period ending October 28, 2018, our mattress fabrics segment incurred non-recurring charges totaling \$248 that pertained to employee termination benefits and other operational reorganization costs. Of the total \$248 total non-recurring charge, \$159 and \$89 were recorded in cost of sales and selling, general, and administrative expenses, respectively.
- (4) See page 9 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the six-month periods November 3, 2019 and October 28, 2018, which exclude certain charges and credits.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
NOVEMBER 3, 2019, OCTOBER 28, 2018, AND APRIL 28, 2019

Unaudited
(Amounts in Thousands)

	Amounts		Increase		* April 28, 2019
	(Condensed)		(Decrease)		
	November 3, 2019	October 28, 2018	Dollars	Percent	
Current assets					
Cash and cash equivalents	\$ 47,183	14,768	32,415	219.5%	40,008
Short-term investments - Held-To-Maturity	-	26,719	(26,719)	(100.0)%	5,001
Accounts receivable	24,522	24,362	160	0.7%	23,751
Inventories	55,228	50,601	4,627	9.1%	50,860
Current income taxes receivable	776	-	776	100.0%	776
Assets held for sale	150	237	(87)	(36.7)%	-
Other current assets	2,710	2,461	249	10.1%	2,849
Total current assets	130,569	119,148	11,421	9.6%	123,245
Property, plant & equipment, net	46,973	51,325	(4,352)	(8.5)%	48,389
Goodwill	27,222	27,222	-	0.0%	27,222
Intangible assets	10,260	10,636	(376)	(3.5)%	10,448
Long-term investments - Rabbi Trust	7,575	7,851	(276)	(3.5)%	7,081
Right of use asset	5,879	-	5,879	100.0%	-
Noncurrent income taxes receivable	733	-	733	100.0%	733
Deferred income taxes	511	3,614	(3,103)	(85.9)%	457
Investment in unconsolidated joint venture	1,504	1,470	34	2.3%	1,508
Other assets	496	945	(449)	(47.5)%	643
Total assets	\$ 231,722	222,211	9,511	4.3%	219,726
Current liabilities					
Accounts payable - trade	\$ 27,395	24,007	3,388	14.1%	24,377
Accounts payable - capital expenditures	402	114	288	252.6%	78
Operating lease liability - current	2,282	-	2,282	100.0%	-
Deferred revenue	375	649	(274)	(42.2)%	399
Accrued expenses	8,915	8,670	245	2.8%	9,192
Accrued restructuring costs	35	260	(225)	(86.5)%	124
Deferred compensation	-	714	(714)	(100.0)%	-
Income taxes payable - current	1,539	2,044	(505)	(24.7)%	1,022
Total current liabilities	40,943	36,458	4,485	12.3%	35,192
Accrued expenses - long-term	333	-	333	100.0%	333
Subordinated loan payable	925	-	925	100.0%	675
Operating lease liability - long-term	3,439	-	3,439	100.0%	-
Contingent consideration - Earn-Out Obligation	6,006	5,706	300	5.3%	5,856
Income taxes payable - long-term	3,442	3,233	209	6.5%	3,249
Deferred income taxes	3,283	2,225	1,058	47.6%	3,176
Deferred compensation	7,429	7,120	309	4.3%	6,998
Total liabilities	65,800	54,742	11,058	20.2%	55,479
Shareholders' equity					
Shareholders' equity attributable to Culp Inc.	161,520	162,918	(1,398)	(0.9)%	159,933
Non-controlling interest	4,402	4,551	(149)	(3.3)%	4,314
Total liabilities and shareholders' equity	\$ 231,722	222,211	9,511	4.3%	219,726
Shares outstanding	12,412	12,492	(80)	(0.6)%	12,391

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
SUMMARY OF CASH AND INVESTMENTS
NOVEMBER 3, 2019, OCTOBER 28, 2018, AND APRIL 28, 2019

Unaudited
(Amounts in Thousands)

	Amounts		
	November 3, 2019	October 28, 2018	April 28, 2019*
Cash and cash equivalents	\$ 47,183	\$ 14,768	\$ 40,008
Short-term investments - Held-To-Maturity	-	26,719	5,001
Total Cash and Investments	\$ 47,183	\$ 41,487	\$ 45,009

* Derived from audited financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018

Unaudited
(Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	November 3, 2019	October 28, 2018
Cash flows from operating activities:		
Net income	\$ 3,366	3,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,893	4,056
Amortization	353	391
Stock-based compensation	467	(106)
Deferred income taxes	53	(2,081)
Realized loss on sale of short-term investments (Available for Sale)	-	94
Gain on sale of equipment	(93)	(1,079)
Loss from investment in unconsolidated joint venture	3	132
Foreign currency exchange gain	(106)	(102)
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Accounts receivable	(835)	1,639
Inventories	(4,797)	3,767
Other current assets	(31)	379
Other assets	133	(10)
Accounts payable	3,564	(3,264)
Deferred revenue	(24)	(160)
Accrued expenses and deferred compensation	1,620	(1,472)
Accrued restructuring costs	(89)	260
Income taxes	770	247
Net cash provided by operating activities	8,247	6,600
Cash flows from investing activities:		
Net cash paid for acquisition of businesses	-	(12,096)
Capital expenditures	(2,410)	(2,096)
Proceeds from the sale of property, plant, and equipment	363	1,280
Investment in unconsolidated joint venture	-	(100)
Proceeds from the sale of short-term investments (Held to Maturity)	5,000	4,000
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)	(479)	(526)
Net cash provided by (used in) investing activities	2,474	(7,090)
Cash flows from financing activities:		
Proceeds from line of credit	-	12,000
Payments on line of credit	-	(12,000)
Payments on vendor-financed capital expenditures	-	(1,412)
Proceeds from subordinated loan payable	250	-
Cash paid for acquisition of businesses	(1,532)	-
Dividends paid	(2,482)	(2,253)
Common stock surrendered for withholding taxes payable	(51)	(1,292)
Capital contribution from non-controlling interest	360	-
Common stock repurchased	-	(844)
Net cash used in financing activities	(3,455)	(5,801)
Effect of exchange rate changes on cash and cash equivalents	(91)	(169)
Increase (decrease) in cash and cash equivalents	7,175	(6,460)
Cash and cash equivalents at beginning of period	40,008	21,228
Cash and cash equivalents at end of period	\$ 47,183	14,768
Free Cash Flow (1)	\$ 5,630	3,577

(1) Free Cash Flow reconciliation is as follows:

	FY 2020	FY 2019
A) Net cash provided by operating activities	\$ 8,247	6,600
B) Minus: Capital Expenditures	(2,410)	(2,096)
C) Plus: Proceeds from the sale of property, plant, and equipment	363	1,280

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)	(479)	(526)
G) Effects of exchange rate changes on cash and cash equivalents	(91)	(169)
Free Cash Flow	<u>\$ 5,630</u>	<u>3,577</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(Unaudited)
(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	November 3, 2019	October 28, 2018	% Over (Under)	November 3, 2019	October 28, 2018
Net Sales by Segment					
Mattress Fabrics	\$ 35,459	37,205	(4.7)%	48.8%	48.3%
Upholstery Fabrics	33,884	35,017	(3.2)%	46.7%	45.5%
Home Accessories	3,276	4,784	(31.5)%	4.5%	6.2%
Net Sales	<u>\$ 72,619</u>	<u>77,006</u>	<u>(5.7)%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 6,247	5,781	8.1%	17.6%	15.5%
Upholstery Fabrics	7,279	6,257	16.3%	21.5%	17.9%
Home Accessories	577	1,717	(66.4)%	17.6%	35.9%
Subtotal	<u>14,103</u>	<u>13,755</u>	<u>2.5%</u>	<u>19.4%</u>	<u>17.9%</u>
Other non-recurring charges	-	(159) (1)	(100.0)%	0.0%	(0.2)%
Restructuring related charges	-	(270) (1)	(100.0)%	0.0%	(0.4)%
Gross Profit	<u>\$ 14,103</u>	<u>13,326</u>	<u>5.8%</u>	<u>19.4%</u>	<u>17.3%</u>
Selling, General and Administrative Expenses by Segment					
Mattress Fabrics	\$ 2,953	2,872	2.8%	8.3%	7.7%
Upholstery Fabrics	3,806	3,535	7.7%	11.2%	10.1%
Home Accessories	928	1,694	(45.2)%	28.3%	35.4%
Unallocated Corporate expenses	2,433	1,913	27.2%	3.4%	2.5%
Subtotal	<u>10,120</u>	<u>10,014</u>	<u>1.1%</u>	<u>13.9%</u>	<u>13.0%</u>
Other non-recurring charges	-	89	(100.0)%	0.0%	0.1%
Selling, General and Administrative Expenses	<u>\$ 10,120</u>	<u>10,103</u>	<u>0.2%</u>	<u>13.9%</u>	<u>13.1%</u>
Operating Income (loss) by Segment					
Mattress Fabrics	\$ 3,293	2,909	13.2%	9.3%	7.8%
Upholstery Fabrics	3,473	2,722	27.6%	10.2%	7.8%
Home Accessories	(350)	23	N.M.	(10.7)%	0.5%
Unallocated corporate expenses	(2,433)	(1,913)	27.2%	(3.4)%	(2.5)%
Subtotal	<u>3,983</u>	<u>3,741</u>	<u>6.5%</u>	<u>5.5%</u>	<u>4.9%</u>
Other non-recurring charges	-	(248) (1)	(100.0)%	0.0%	(0.3)%
Restructuring credit and related charges	-	791 (1)	(100.0)%	0.0%	1.0%
Operating income	<u>\$ 3,983</u>	<u>4,284</u>	<u>(7.0)%</u>	<u>5.5%</u>	<u>5.6%</u>
Depreciation Expense by Segment					
Mattress Fabrics	\$ 1,701	1,752	(2.9)%		
Upholstery Fabrics	192	197	(2.5)%		
Home Accessories	95	92	3.3%		
Depreciation Expense	<u>\$ 1,988</u>	<u>2,041</u>	<u>(2.6)%</u>		

Notes

(1) See page 8 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month periods November 3, 2019 and October 28, 2018 for descriptions of these charges and credits.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE SIX MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(Unaudited)
(Amounts in thousands)

	SIX MONTHS ENDED				
	Amounts			Percent of Total Sales	
	November 3, 2019	October 28, 2018	% Over (Under)	November 3, 2019	October 28, 2018
Net Sales by Segment					
Mattress Fabrics	\$ 74,145	71,603	3.6%	50.3%	48.2%
Upholstery Fabrics	65,744	69,507	(5.4)%	44.6%	46.8%
Home Accessories	7,577	7,369	2.8%	5.1%	5.0%
Net Sales	<u>\$ 147,466</u>	<u>148,479</u>	<u>(0.7)%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
Gross Profit Margin					
Mattress Fabrics	\$ 11,940	11,084	7.7%	16.1%	15.5%
Upholstery Fabrics	14,000	12,410	12.8%	21.3%	17.9%
Home Accessories	1,528	2,385	(35.9)%	20.2%	32.4%
Subtotal	<u>27,468</u>	<u>25,879</u>	<u>6.1%</u>	<u>18.6%</u>	<u>17.4%</u>
Other non-recurring charges	-	(159) (1)	(100.0)%	0.0%	(0.1)%
Restructuring related charges	-	(1,835) (1)	(100.0)%	0.0%	(1.2)%
Gross Profit	<u>\$ 27,468</u>	<u>23,885</u>	<u>15.0%</u>	<u>18.6%</u>	<u>16.1%</u>
Selling, General and Administrative Expenses by Segment					
Percent of Sales					
Mattress Fabrics	\$ 6,024	5,384	11.9%	8.1%	7.5%
Upholstery Fabrics	7,652	7,161	6.9%	11.6%	10.3%
Home Accessories	2,416	2,330	3.7%	31.9%	31.6%
Unallocated Corporate expenses	4,739	3,172	49.4%	3.2%	2.1%
Subtotal	<u>20,831</u>	<u>18,047</u>	<u>15.4%</u>	<u>14.1%</u>	<u>12.2%</u>
Other non-recurring charges	-	89 (1)	(100.0)%	0.0%	0.1%
Selling, General and Administrative Expenses	<u>\$ 20,831</u>	<u>18,136</u>	<u>14.9%</u>	<u>14.1%</u>	<u>12.2%</u>
Operating Income (loss) by Segment					
Operating Income (Loss) Margin					
Mattress Fabrics	\$ 5,916	5,699	3.8%	8.0%	8.0%
Upholstery Fabrics	6,348	5,249	20.9%	9.7%	7.6%
Home Accessories	(888)	56	N.M.	(11.7)%	0.8%
Unallocated corporate expenses	(4,739)	(3,172)	49.4%	(3.2)%	(2.1)%
Subtotal	<u>\$ 6,637</u>	<u>7,832</u>	<u>(15.3)%</u>	<u>4.5%</u>	<u>5.3%</u>
Other non-recurring charges	-	(248) (1)	(100.0)%	0.0%	(0.2)%
Restructuring credit (expense) and related charges	35	(1,225) (1)	(102.9)%	0.0%	(0.8)%
Operating income	<u>6,672</u>	<u>6,359</u>	<u>4.9%</u>	<u>4.5%</u>	<u>4.3%</u>
Return on Capital (2)					
Mattress Fabrics	16.2%	23.9%			
Upholstery Fabrics	61.2%	56.5%			
Home Accessories	N.M.	N.M.			
Unallocated Corporate	N.M.	N.M.			
Consolidated	<u>10.7%</u>	<u>18.4%</u>			
Capital Employed (2) (3)					
Mattress Fabrics	\$ 70,394	76,704	(8.2)%		
Upholstery Fabrics	19,411	17,796	9.1%		
Home Accessories	4,548	3,243	40.2%		
Unallocated Corporate	31,409	32,110	(2.2)%		
Consolidated	<u>\$ 125,762</u>	<u>129,853</u>	<u>(3.2)%</u>		

Depreciation Expense by Segment

Mattress Fabrics	\$	3,321	3,514	(5.5)%
Upholstery Fabrics		382	412	(7.3)%
Home Accessories		190	130	46.2%
Depreciation Expense	\$	3,893	4,056	(4.0)%

Notes

- (1) See page 9 for our Reconciliation of Selected Income Statement Information to Adjusted Results for the six-month periods November 3, 2019 and October 28, 2018 for descriptions of these charges and credits.
- (2) See pages 11 and 12 of this financial information release for calculations.
- (3) The capital employed balances are as of November 3, 2019 and October 28, 2018.
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CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018

THREE MONTHS ENDED (UNAUDITED)

	As Reported			November 3, 2019		As Reported			October 28, 2018		% Over (Under)
	November 3, 2019	% of Sales	Adjustments	Adjusted Results	% of Sales	October 28, 2018	% of Sales	Adjustments	Adjusted Results	% of Sales	
Net sales	\$ 72,619	100.0%	-	72,619	100.0%	77,006	100.0%	-	77,006	100.0%	-5.7%
Cost of sales	58,516	80.6%	-	58,516	80.6%	63,680	82.7% (1)	(429)	63,251	82.1%	-7.5%
Gross Profit	14,103	19.4%	-	14,103	19.4%	13,326	17.3%	(429)	13,755	17.9%	2.5%
Selling, general and administrative expenses	10,120	13.9%	-	10,120	13.9%	10,103	13.1% (2)	(89)	10,014	13.0%	1.1%
Restructuring credit	-	0.0%	-	-	0.0%	(1,061)	-1.4% (3)	1,061	-	0.0%	0.0%
Income from operations	3,983	5.5%	-	3,983	5.5%	4,284	5.6%	543	3,741	4.9%	6.5%
Interest expense	30	0.0%	-	30	0.0%	18	0.0%	-	18	0.0%	66.7%
Interest income	(240)	-0.3%	-	(240)	-0.3%	(151)	-0.2%	-	(151)	-0.2%	58.9%
Other expense	87	0.1%	-	87	0.1%	142	0.2%	-	142	0.2%	-38.7%
Income before income taxes	4,106	5.7%	-	4,106	5.7%	4,275	5.6%	543	3,732	4.8%	10.0%

Notes

- (1) The \$429 represents a restructuring related charge of \$270 for other operating costs associated with our closed Anderson, SC upholstery fabrics facility and a non-recurring charge of \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (2) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (3) The \$1.1 million restructuring credit represents a \$1.1 million gain for the sale of equipment partially offset by a charge of \$63 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE SIX MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018

SIX MONTHS ENDED (UNAUDITED)

	As Reported					As Reported					% Over (Under)
	November 3, 2019	% of Sales	Adjustments	November 3, 2019 Adjusted Results	% of Sales	October 28, 2018	% of Sales	Adjustments	October 28, 2018 Adjusted Results	% of Sales	
Net sales	\$ 147,466	100.0%	-	147,466	100.0%	148,479	100.0%	-	148,479	100.0%	-0.7%
Cost of sales	119,998	81.4%	-	119,998	81.4%	124,594	83.9% (2)	(1,994)	122,600	82.6%	-2.1%
Gross Profit	27,468	18.6%	-	27,468	18.6%	23,885	16.1%	(1,994)	25,879	17.4%	6.1%
Selling, general and administrative expenses	20,831	14.1%	-	20,831	14.1%	18,136	12.2% (3)	(89)	18,047	12.2%	15.4%
Restructuring credit	(35)	0.0% (1)	35	-	0.0%	(610)	-0.4% (4)	610	-	0.0%	0.0%
Income from operations	6,672	4.5%	35	6,637	4.5%	6,359	4.3%	(1,473)	7,832	5.3%	-15.3%
Interest expense	39	0.0%	-	39	0.0%	38	0.0%	-	38	0.0%	2.6%
Interest income	(490)	-0.3%	-	(490)	-0.3%	(301)	-0.2%	-	(301)	-0.2%	62.8%
Other expense	174	0.1%	-	174	0.1%	399	0.3%	-	399	0.3%	-56.4%
Income before income taxes	6,949	4.7%	35	6,914	4.7%	6,223	4.2%	(1,473)	7,696	5.2%	-10.2%

Notes

- (1) The \$35 restructuring credit represents employee termination benefits associated with the closure of our Anderson, SC facility.
- (2) The \$2.0 million represents a restructuring related charge of \$1.6 million for inventory markdowns and \$270 for operating costs associated with the closure of our Anderson, SC upholstery fabrics facility, as well as \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (3) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (4) The \$610 restructuring credit represents a \$1.1 million gain for the sale of equipment partially offset by a charge of \$513 for employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months 11/3/2019
	1/27/2019	4/28/2019	8/4/2019	11/3/2019	
Net income (loss)	\$ 3,060	\$ (1,511)	\$ 1,174	\$ 2,192	\$ 4,915
Income taxes	1,225	3,017	1,682	1,898	7,822
Interest income, net	(251)	(210)	(241)	(210)	(912)
Other non-recurring charges	429	500	-	-	929
Restructuring expense (credit) and related charges	340	-	(35)	-	305
Depreciation and amortization expense	2,232	2,218	2,081	2,165	8,696
Stock based compensation	479	(243)	154	313	703
Adjusted EBITDA	<u>\$ 7,514</u>	<u>\$ 3,771</u>	<u>\$ 4,815</u>	<u>\$ 6,358</u>	<u>\$ 22,458</u>
% Net Sales	<u>9.7%</u>	<u>5.3%</u>	<u>6.4%</u>	<u>8.8%</u>	<u>7.6%</u>
	Quarter Ended				Trailing 12 Months 10/28/2018
	1/28/2018	4/29/2018	7/29/2018	10/28/2018	
Net income (loss)	\$ (748)	\$ 12,666	\$ 965	\$ 2,944	\$ 15,827
Income taxes	8,208	(6,217)	906	1,276	4,173
Interest income, net	(101)	(117)	(130)	(133)	(481)
Other non-recurring charges	-	-	-	248	248
Restructuring expense and related charges	-	-	2,016	(791)	1,225
Depreciation and amortization expense	2,048	2,096	2,160	2,287	8,591
Stock based compensation	864	(210)	(501)	395	548
Adjusted EBITDA	<u>\$ 10,271</u>	<u>\$ 8,218</u>	<u>\$ 5,416</u>	<u>\$ 6,226</u>	<u>\$ 30,131</u>
% Net Sales	<u>12.0%</u>	<u>10.5%</u>	<u>7.6%</u>	<u>8.1%</u>	<u>9.7%</u>
% Over (Under)	<u>-26.8%</u>	<u>-54.1%</u>	<u>-11.1%</u>	<u>2.1%</u>	<u>-25.5%</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED NOVEMBER 3, 2019
(Amounts in Thousands)
(Unaudited)

	Operating Income Twelve Months Ended	Average Capital Employed	Return on Avg. Capital Employed
	November 3, 2019 (1)	(3)	(2)
Mattress Fabrics	\$ 11,822	\$ 73,160	16.2%
Upholstery Fabrics	11,924	19,468	61.2%
Home Accessories	(1,678)	3,749	N.M.
(less: Unallocated Corporate)	(8,404)	31,082	N.M.
Total	\$ 13,664	\$ 127,459	10.7%

	As of the three Months Ended November 3, 2019					As of the three Months Ended August 4, 2019					As of the three Months Ended April 28, 2019				
	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)	\$ 84,473	42,122	7,280	97,847	231,722	\$ 83,056	40,456	6,414	94,521	224,447	\$ 83,393	37,529	5,618	93,186	219,726
Total liabilities (5)	(14,079)	(22,711)	(2,732)	(26,278)	(65,800)	(11,854)	(20,352)	(2,301)	(25,604)	(60,111)	(10,996)	(18,114)	(2,215)	(24,154)	(55,479)
Subtotal	\$ 70,394	\$ 19,411	\$ 4,548	\$ 71,569	\$ 165,922	\$ 71,202	\$ 20,104	\$ 4,113	\$ 68,917	\$ 164,336	\$ 72,397	\$ 19,415	\$ 3,403	\$ 69,032	\$ 164,247
Less:															
Cash and cash equivalents	-	-	-	(47,183)	(47,183)	-	-	-	(44,236)	(44,236)	-	-	-	(40,008)	(40,008)
Short-term investments - Held-To- Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,001)	(5,001)
Current income taxes receivable	-	-	-	(776)	(776)	-	-	-	(776)	(776)	-	-	-	(776)	(776)
Long-term investments - Rabbi Trust	-	-	-	(7,575)	(7,575)	-	-	-	(7,347)	(7,347)	-	-	-	(7,081)	(7,081)
Noncurrent income taxes receivable	-	-	-	(733)	(733)	-	-	-	(733)	(733)	-	-	-	(733)	(733)
Deferred income taxes - non-current	-	-	-	(511)	(511)	-	-	-	(486)	(486)	-	-	-	(457)	(457)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,539	1,539	-	-	-	1,116	1,116	-	-	-	1,022	1,022
Income taxes payable - long-term	-	-	-	3,442	3,442	-	-	-	3,640	3,640	-	-	-	3,249	3,249
Deferred income taxes - non-current	-	-	-	3,283	3,283	-	-	-	2,543	2,543	-	-	-	3,176	3,176
Subordinated loan payable	-	-	-	925	925	-	-	-	925	925	-	-	-	675	675
Deferred compensation - non-current	-	-	-	7,429	7,429	-	-	-	7,232	7,232	-	-	-	6,998	6,998
Total Capital Employed	\$ 70,394	\$ 19,411	\$ 4,548	\$ 31,409	\$ 125,762	\$ 71,202	\$ 20,104	\$ 4,113	\$ 30,795	\$ 126,214	\$ 72,397	\$ 19,415	\$ 3,403	\$ 30,096	\$ 125,311

	As of the three Months Ended January 27, 2019					As of the three Months Ended October 28, 2018				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 86,707	43,097	5,607	89,497	224,908	\$ 86,494	37,442	5,203	93,072	222,211
Total liabilities (5)	(11,604)	(22,483)	(2,168)	(21,421)	(57,676)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)
Subtotal	\$ 75,103	\$ 20,614	\$ 3,439	\$ 68,076	\$ 167,232	\$ 76,704	\$ 17,796	\$ 3,243	\$ 69,726	\$ 167,469
Less:										
Cash and cash equivalents	-	-	-	(26,418)	(26,418)	-	-	-	(14,768)	(14,768)
Short-term investments - Held-To- Maturity	-	-	-	(13,544)	(13,544)	-	-	-	(26,719)	(26,719)
Current income taxes receivable	-	-	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	-	(6,834)	(6,834)	-	-	-	(7,851)	(7,851)
Noncurrent income taxes receivable	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	-	(3,224)	(3,224)	-	-	-	(3,614)	(3,614)

Deferred compensation - current	-	-	-	-	-	-	-	-	714	714
Income taxes payable - current	-	-	-	642	642	-	-	-	2,044	2,044
Income taxes payable - long-term	-	-	-	3,294	3,294	-	-	-	3,233	3,233
Deferred income taxes - non-current	-	-	-	2,225	2,225	-	-	-	2,225	2,225
Subordinated loan payable	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	6,782	6,782	-	-	-	7,120	7,120

Total Capital Employed	\$ 75,103	\$ 20,614	\$ 3,439	\$ 30,999	\$ 130,155	\$ 76,704	\$ 17,796	\$ 3,243	\$ 32,110	\$ 129,853
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	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 73,160	\$ 19,468	\$ 3,749	\$ 31,082	\$ 127,459

Notes:

- See reconciliation per page 13 of this financial information release.
- Return on average capital employed represents the last twelve months operating income as of November 3, 2019, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred income tax assets and liabilities, income taxes receivable and payable, subordinated loan payable, and current and noncurrent deferred compensation.
- Average capital employed was computed using the five quarterly periods ending November 3, 2019, August 4, 2019, April 28, 2019, January 27, 2019, and October 28, 2018.
- Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no effect on the capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.
- Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics, upholstery fabrics, and home accessories segments.

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED OCTOBER 28, 2018
(Amounts in Thousands)
(Unaudited)

	Operating Income		
	Twelve Months Ended	Average Capital Employed	Return on Avg. Capital Employed
	October 28, 2018 (1)	(3)	(2)
Mattress Fabrics	\$ 18,624	\$ 77,807	23.9%
Upholstery Fabrics	10,940	19,372	56.5%
Home Accessories (less: Unallocated Corporate)	56	1,199	N.M.
	(7,680)	21,083	
Total	\$ 21,940	\$ 119,461	18.4%

	As of the three Months Ended October 28, 2018					As of the three Months Ended July 29, 2018					As of the three Months Ended April 29, 2018				
	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)	\$ 86,494	37,442	5,203	93,072	222,211	\$ 93,601	37,386	4,463	90,922	226,372	\$ 95,061	39,812	-	83,111	217,984
Total liabilities (5)	(9,790)	(19,646)	(1,960)	(23,346)	(54,742)	(12,883)	(17,880)	(1,710)	(27,869)	(60,342)	(17,335)	(18,679)	-	(18,594)	(54,608)
Subtotal	\$ 76,704	\$ 17,796	\$ 3,243	\$ 69,726	\$ 167,469	\$ 80,718	\$ 19,506	\$ 2,753	\$ 63,053	\$ 166,030	\$ 77,726	\$ 21,133	\$ -	\$ 64,517	\$ 163,376
Less:															
Cash and cash equivalents	-	-	-	(14,768)	(14,768)	-	-	-	(8,593)	(8,593)	-	-	-	(21,228)	(21,228)
Short-term investments - Available-For-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,451)	(2,451)
Short-term investments - Held-To-Maturity	-	-	-	(26,719)	(26,719)	-	-	-	(30,756)	(30,756)	-	-	-	(25,759)	(25,759)
Long-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,035)	(5,035)
Long-term investments - Rabbi Trust	-	-	-	(7,851)	(7,851)	-	-	-	(7,671)	(7,671)	-	-	-	(7,326)	(7,326)
Deferred income taxes - non-current	-	-	-	(3,614)	(3,614)	-	-	-	(3,721)	(3,721)	-	-	-	(1,458)	(1,458)
Deferred compensation - current	-	-	-	714	714	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	2,044	2,044	-	-	-	1,244	1,244	-	-	-	1,437	1,437
Income taxes payable - long-term	-	-	-	3,233	3,233	-	-	-	3,733	3,733	-	-	-	3,758	3,758
Deferred income taxes - non-current	-	-	-	2,225	2,225	-	-	-	2,150	2,150	-	-	-	2,150	2,150
Line of credit	-	-	-	-	-	-	-	-	4,000	4,000	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,120	7,120	-	-	-	7,679	7,679	-	-	-	7,353	7,353
Total Capital Employed	\$ 76,704	\$ 17,796	\$ 3,243	\$ 32,110	\$ 129,853	\$ 80,718	\$ 19,506	\$ 2,753	\$ 31,118	\$ 134,095	\$ 77,726	\$ 21,133	\$ -	\$ 15,958	\$ 114,817

	As of the three Months Ended January 28, 2018					As of the three Months Ended October 29, 2017				
	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
Total assets (4)	\$ 93,827	43,458	-	79,559	216,844	\$ 94,626	34,974	-	71,443	201,043
Total liabilities (5)	(18,418)	(22,781)	-	(23,463)	(64,662)	(16,150)	(17,225)	-	(14,588)	(47,963)
Subtotal	\$ 75,409	\$ 20,677	\$ -	\$ 56,096	\$ 152,182	\$ 78,476	\$ 17,749	\$ -	\$ 56,855	\$ 153,080
Less:										
Cash and cash equivalents	-	-	-	(22,428)	(22,428)	-	-	-	(15,739)	(15,739)
Short-term investments - Available-For-Sale	-	-	-	(2,472)	(2,472)	-	-	-	(2,478)	(2,478)
Short-term investments - Held-To-Maturity	-	-	-	(17,206)	(17,206)	-	-	-	(4,015)	(4,015)
Long-term investments - Held-To-Maturity	-	-	-	(13,625)	(13,625)	-	-	-	(26,853)	(26,853)
Long-term investments - Held-To-Maturity	-	-	-	(7,176)	(7,176)	-	-	-	(6,921)	(6,921)

Rabbi Trust Deferred income taxes - non-current	-	-	-	(1,942)	(1,942)	-	-	-	(491)	(491)
Deferred compensation - current	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	-	1,580	1,580	-	-	-	692	692
Income taxes payable - long-term	-	-	-	10,940	10,940	-	-	-	487	487
Deferred income taxes - non-current	-	-	-	2,096	2,096	-	-	-	4,641	4,641
Line of credit	-	-	-	-	-	-	-	-	-	-
Deferred compensation - non-current	-	-	-	7,216	7,216	-	-	-	6,970	6,970

Total Capital Employed	\$ 75,409	\$ 20,677	\$ -	\$ 13,079	\$ 109,165	\$ 78,476	\$ 17,749	\$ -	\$ 13,148	\$ 109,373
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Average Capital Employed (3)	Mattress Fabrics	Upholstery Fabrics	Home Accessories	Unallocated Corporate	Total
	\$ 77,807	\$ 19,372	\$ 1,199	\$ 21,083	\$ 119,461

Notes:

- (1) See reconciliation per page 13 of this financial information release.
- (2) Return on average capital employed represents the last twelve months operating income as of October 28, 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 current and noncurrent deferred compensation.
- (3) Average capital employed was computed using the five quarterly periods ending October 28, 2018, July 29, 2018, April 29, 2018, January 28, 2018, and October 29, 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 NOVEMBER 3, 2019 AND OCTOBER 28, 2018
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months 11/3/2019
	1/27/2019	4/28/2019	8/4/2019	11/3/2019	
Mattress Fabrics	\$ 3,208	\$ 2,698	\$ 2,623	\$ 3,293	\$ 11,822
Upholstery Fabrics	3,799	1,777	2,875	3,473	11,924
Home Accessories	(311)	(479)	(538)	(350)	(1,678)
Unallocated Corporate	(1,628)	(2,037)	(2,306)	(2,433)	(8,404)
Subtotal	5,068	1,959	2,654	3,983	13,664
Other non-recurring charges	(429)	-	-	-	(429)
Restructuring (expense) credit and related charges	(340)	-	35	-	(305)
Operating income	\$ 4,299	\$ 1,959	\$ 2,689	\$ 3,983	\$ 12,930

	Quarter Ended				Trailing 12 Months 10/28/2018
	1/28/2018	4/29/2018	7/29/2018	10/28/2018	
Mattress Fabrics	\$ 6,837	\$ 6,088	\$ 2,790	\$ 2,909	\$ 18,624
Upholstery Fabrics	3,510	2,181	2,527	2,722	10,940
Home Accessories	-	-	33	23	56
Unallocated Corporate	(2,703)	(1,805)	(1,259)	(1,913)	(7,680)
Subtotal	\$ 7,644	\$ 6,464	\$ 4,091	\$ 3,741	\$ 21,940
Other non-recurring charges	-	-	-	(248)	(248)
Restructuring (expense) credit and related charges	-	-	(2,016)	791	(1,225)
Operating income	\$ 7,644	\$ 6,464	\$ 2,075	\$ 4,284	\$ 20,467
% Over (Under)	-43.8%	-69.7%	29.6%	-7.0%	-36.8%