



CULP

Investor Presentation

December 2024



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. 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,” “will,” “may,” “should,” “could,” “potential,” “continue,” “target,” “predict”, “seek,” “anticipate,” “estimate,” “intend,” “plan,” “project,” and their derivatives, and include but are not limited to statements about expectations, projections, or trends for our future operations, strategic initiatives and plans, restructuring actions, production levels, new product launches, sales, profit margins, profitability, operating (loss) income, capital expenditures, working capital levels, cost savings (including, without limitation, anticipated cost savings from restructuring actions), income taxes, SG&A or other expenses, pre-tax (loss) income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding dividends, share repurchases, liquidity, use of cash and cash requirements, ending cash balances and cash positions, borrowing capacity, investments, potential acquisitions, cash and non-cash restructuring and restructuring-related charges, expenses, and/or credits, net proceeds from restructuring related asset dispositions, future economic or industry trends, public health epidemics, or future developments. There can be no assurance that we will realize these expectations or meet our 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, including changes in U.S. trade enforcement priorities, 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. In addition, because our foreign operations use the U.S. dollar as their functional currency, changes in the exchange rate between the local currency of those operations and the U.S. dollar can affect our reported profits from those foreign operations. Also, economic or 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 recent coronavirus pandemic, could also adversely affect our operations and financial performance. In addition, the impact of potential asset impairments, including impairments of property, plant, and equipment, inventory, or intangible assets, as well as the impact of valuation allowances applied against our net deferred income tax assets, could affect our financial results. Increases in freight costs, labor costs, and raw material prices, including increases in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Also, our success in diversifying our supply chain with reliable partners to effectively service our global platform could affect our operations and adversely affect our financial results. Finally, the future performance of our business also depends on our ability to successfully restructure our mattress fabric operations and return the segment to profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this presentation as anticipated, believed, estimated, expected, intended, planned or projected. The forward-looking statements included in this presentation are made only as of the date of this presentation. Unless required by United States federal securities laws, we neither intend nor assume any obligation to update these forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations. 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. Additional risks and uncertainties that we do not presently know about or that we currently consider to be immaterial may also affect our business operations or financial results.

The Culp Story – Repositioning for Renewed Growth

1

Building on a strong foundation



2

Transforming our Mattress Fabrics segment

3

Accelerating execution in our Upholstery segment

4

Maintaining disciplined capital allocation

5

Clear road map to renewed growth



Culp Today – Two Market Leading Businesses

Revenue Breakdown FY 2024

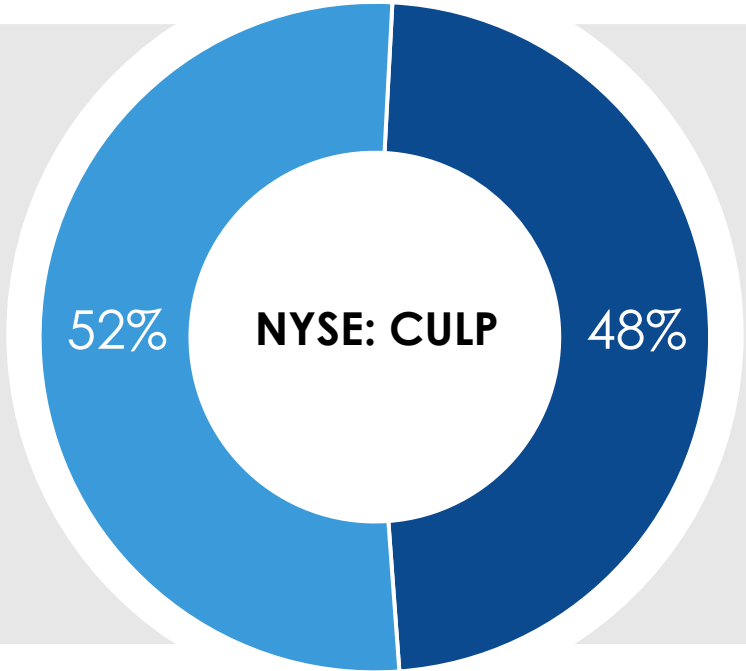
Mattress Fabrics

- ✓ Market leader
- ✓ Assets in N. America
- ✓ Strong N. American supply chain



Upholstery Fabrics

- ✓ Market leader
- ✓ Asset light
- ✓ Primarily Asian supply chain



Manufacturing + Sourcing

- US, Canada¹, Haiti, China, Vietnam, Turkey

Key Metrics

- Market cap: \$71.0M¹
- Employees: ~864¹

Understanding the Current Macro Situation – Moving Towards a “Normal” Market Environment

Pre-Covid

- Favorable long term growth dynamics in both segments



Covid Impact

- Accelerated demand for home products



Current Post-Covid Situation

- Slow demand – result of Covid “pull forward” + inflation + other macroeconomic factors



Return to Normal Market

- Return to long-term growth trend
 - Timing unclear – expect next 1-

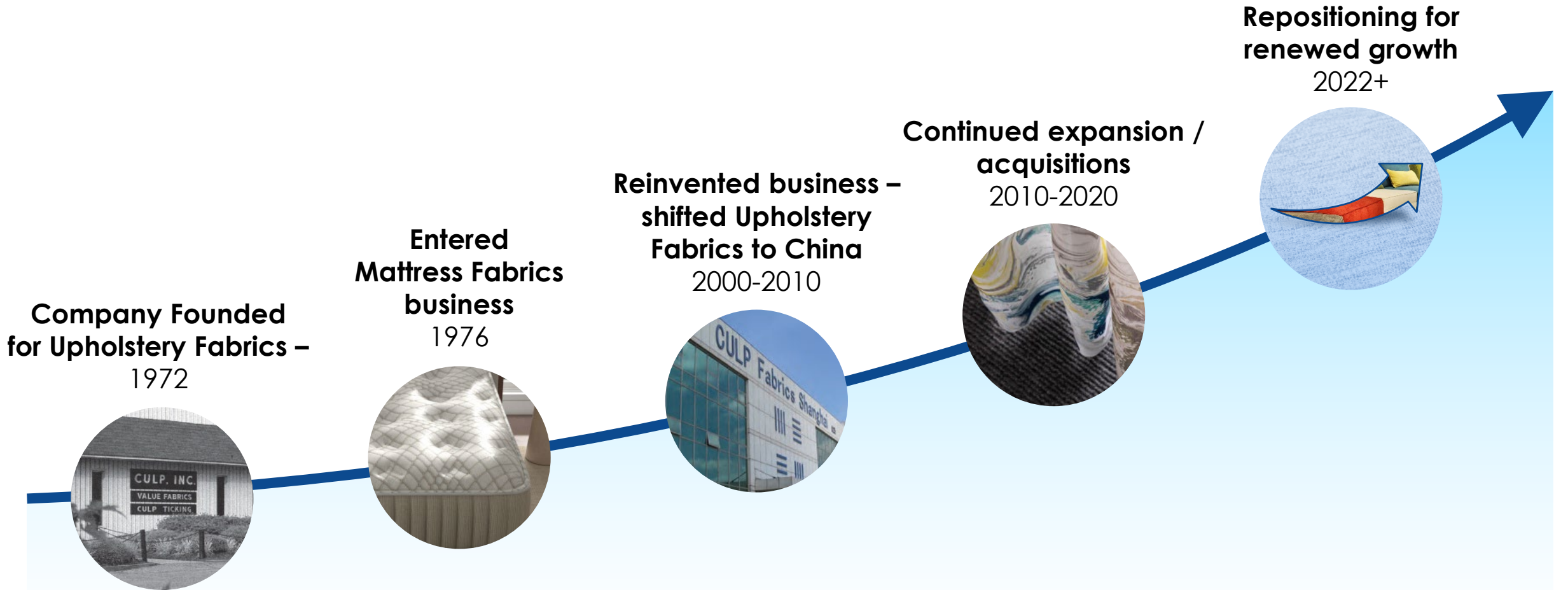


Why We are Confident in the Long-Term Future of Culp



1. See also presentation on “Positioning for the Future – Culp Restructuring Plan –December 2024” for information on Culp’s restructuring plan. Available at <https://culpinc.gcs-web.com/>

Culp – Record of Adapting Well to Changing Business Conditions and Customer Preferences



Positioned in Historically Healthy Markets

Pre-Covid: Solid Long Term Growth in Both Segments

~5%
CAGR¹



Domestic Mattress
Wholesale Dollar Sales
2001-2021

~2%
CAGR²



Furniture
Store Sales
2001-2021

Ongoing Mattress Replacements

10-13%
of population replaces
mattresses each year³



Pent-Up Demand for Household Formations

25%
of Millennials live
with parents⁴



1 in 8 moved back in last year⁴

1. Raymond James, ISPA, US ITC - See Appendix for details
2. Statista 2023 - See Appendix for details
3. Based on management estimates and ISPA 2022 research
4. <https://www.propertymanagement.com/high-rent-and-job-losses-forced-1-in-8-millennials-to-move-back-in-with-their-parents-this-year/>

Our Powerful Innovation Engine – A Key Differentiator Driving Market Share Gains

Consumer focused research

- Identify trends, preferences
 - Cleanable performance fabrics
 - Sustainability
 - Health / Wellness
 - Cooling



Speed to market

- Ecosystem of global platforms
- Express delivery



Customized mapping

- High tech, digital
- 3D modeling



Culp – THE Industry Innovator

Upholstery Fabrics Segment

- **FIRST** to introduce suede upholstery fabrics to commercial residential market, followed by faux leather looks;
- **FIRST** with stain-resistant performance fabrics at mid-market price points, including iClean® and LiveSmart® brands
- **FIRST** to introduce performance + sustainability line of upholstery fabrics with LiveSmart Evolve® line
- **FIRST** to introduce Nanobionic® wellness-focused fabric for residential home furnishings industry

Mattress Segment

- **FIRST** to adopt on-shore, near-shore, and off-shore strategy to best support mattress cover customers
- **FIRST** to introduce LiveFurnish 3-D visual rendering technology to showcase mattress fabric designs while also reducing sampling costs, enhancing customization, allowing faster to market
- **FIRST** / early innovator with cooling + sustainability-focused mattress fabrics



Case Study: Culp Delivers Innovative Performance Fabrics

Situation

Consumer Preference

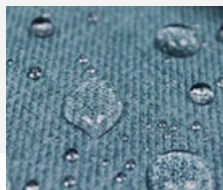
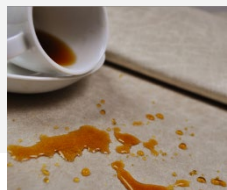
- Desire for cleanable fabric to withstand everyday living; additional desire for environmentally-friendly products

Challenge

- Create child-friendly, pet-friendly, and stain resistant product at affordable pricing; enhance offering with sustainable fabric

Culp Solution

- Developed superior, easy-to-clean performance product at price points accessible to mass market
- Added sustainable option for products made using recycled water bottles



Results

> \$200M

sales to residential customers since 2016

~40%

of upholstery fabrics sales today come from our portfolio of LiveSmart® and iClean® performance brands

>140M

plastic water bottles diverted from landfills since 2019



Strong Balance Sheet and Cash Flow

Strong Balance Sheet

Cash/
Investments **\$10.5M¹**

Debt **\$4.1M¹**

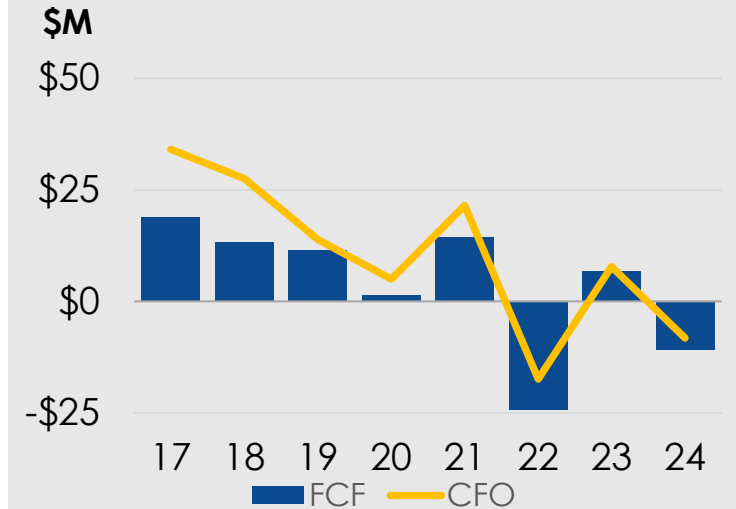


Cash Returned to Shareholders² (Since June 2011)

\$79.5M

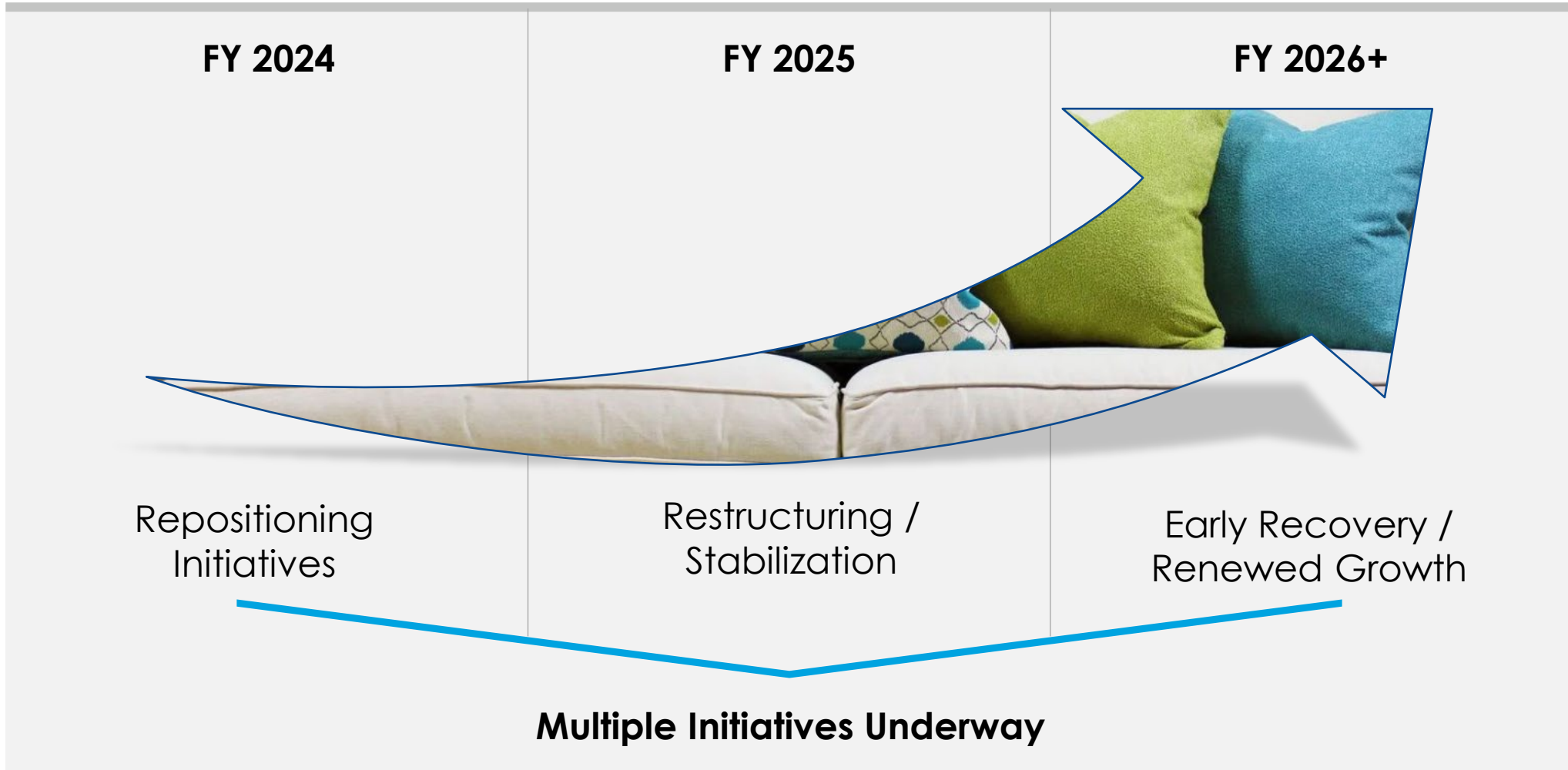


Cash Flow from Operations and Free Cash Flow³ (FY 2016 – FY 2024)



1. As of the end of the second quarter of fiscal 2025
 2. Includes regular quarterly dividends, special dividends, and share repurchases
 3. See reconciliation table in the appendix at the back of this presentation

Multiple Initiatives Underway to Emerge Stronger when Markets Normalize



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Mattresses: Leading Market Share in a Consolidated Industry

Strengths

- One of largest producer of mattress fabrics in N. America
- Global manufacturing and sourcing
 - U.S., Canada¹, Asia, Haiti, Turkey
- Innovative design capitalizing on:
 - Sleep trends
 - Cooling
 - Sustainability



Leading Share in Large Market



Culp Top 2 player²

1. As of October 27, 2024
2. Management estimates for domestic mattress fabric and cover market

Leading Products for Well-Known Brands

Leading Products

Well-Known Customers

The New Mattress Segment We Are Building

Creating a High-Performance Organization

Leadership	—————>	Strengthened
Organization	—————>	Collaborative
Goals and Accountability	—————>	Clear
Pricing	—————>	Leading
Marketing Strategy	—————>	Targeted
Operations	—————>	Efficient
Initiatives	—————>	Focused



Key Initiatives Underway to Restructure and Transform the Mattress Fabrics Segment

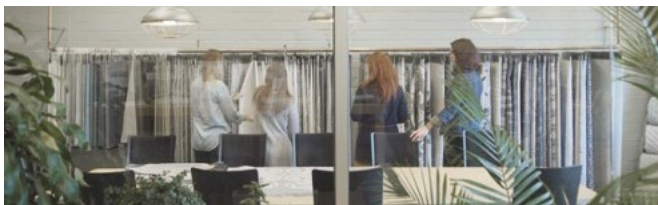
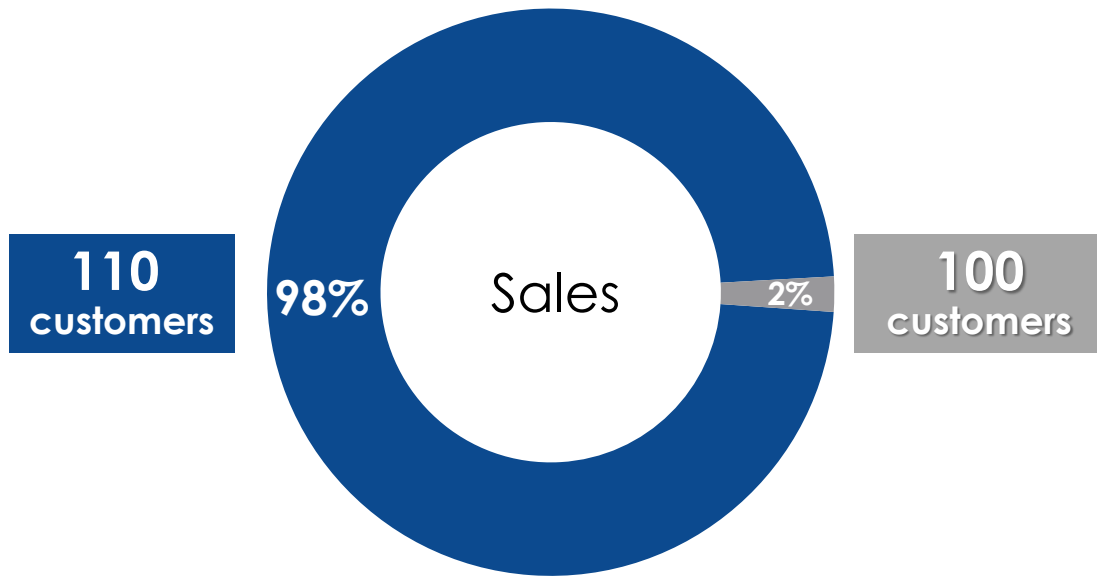
- **Strengthened leadership team focused on profitable growth**
- **Leverage long history of success within the bedding industry**
- **Drive operating efficiencies:**
 - Optimize manufacturing and sourcing capabilities for customer reactivity and improved cost advantage
 - Phased wind down and closure of fabric formation facility in Canada and consolidation of manufacturing and sourcing capabilities to USA, Turkey and Asia
 - Consolidate cut and sew operations on Haiti / Dominican Republic border to one facility
 - Diligent focus on production scheduling and quality management
 - Invest in high ROI, quick payback capital projects to drive cost savings
- **New commercial approach including:**
 - Strong focus on winning new market position as customer innovation cycle increases
 - New product introductions priced in line with current costs to improve profit
 - Restructured and energized sales team
 - Customer, product, and design segmentation including a focused selling strategy and significant SKU rationalization, especially in damask weaving
 - Establishment of an open line to balance custom design work with curated fabric offerings where volumes warrant
 - Continued focus on new product placement and growing market position

CHF Manufacturing & Sourcing Locations Post-Restructuring

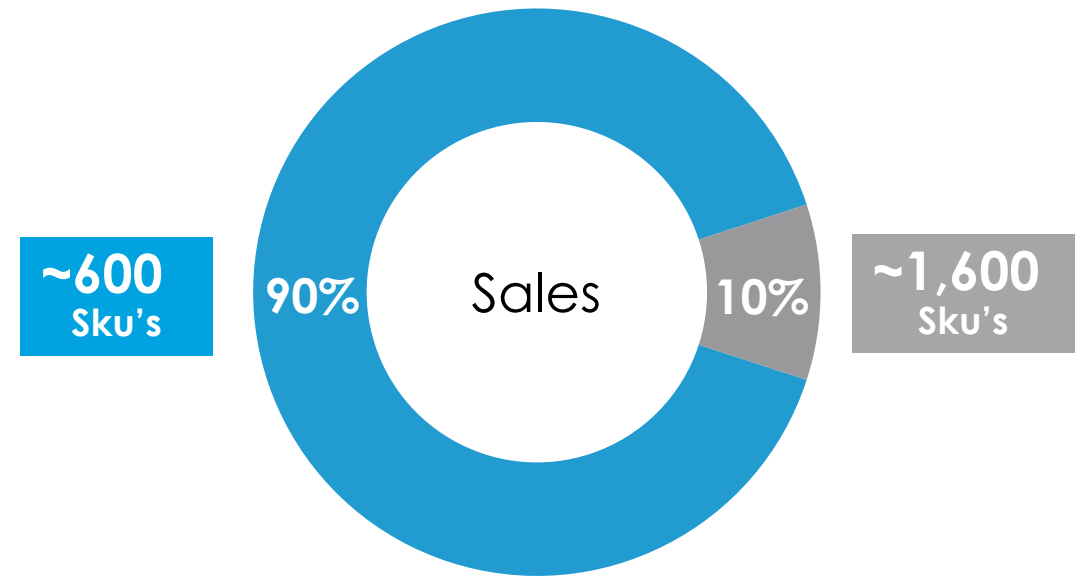


Targeting Top 90%+ Customers and SKUs – That Drive the Business

Sales by Customers*

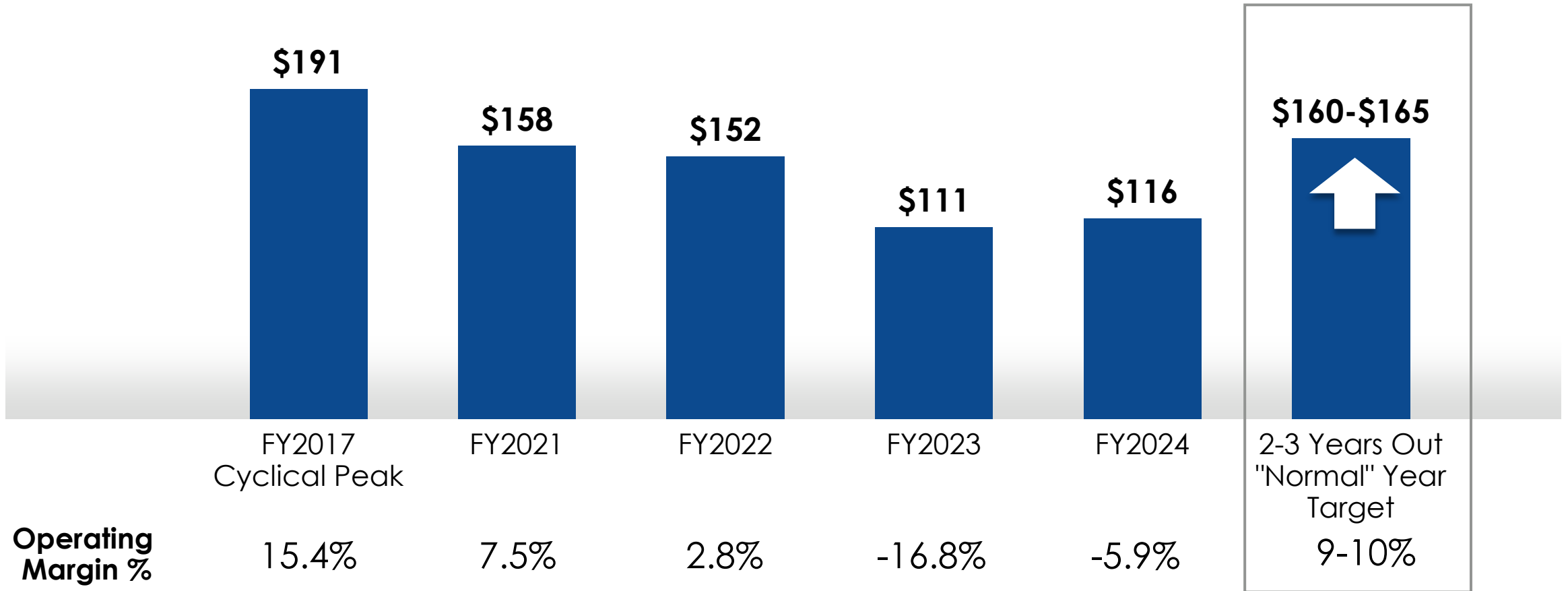


Sales by Products



Mattress Fabrics Segment: We Expect Strong Recovery as Market "Normalizes"

Sales (\$M) and Margin



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Upholstery Fabrics: Market Leader

Strengths

- Leading position in fragmented market
- Asset light – flexible global platform
- Innovative performance products



Leading Share



Culp Top 5 player¹

Innovative Products for Top Customers

Innovative Products



Focused on higher margin / growth segments

- performance products ~40% of total
- hospitality target at >25% of total

Top Customers



Solidly Profitable Upholstery Fabrics Segment With Key Initiatives Underway to Accelerate Performance

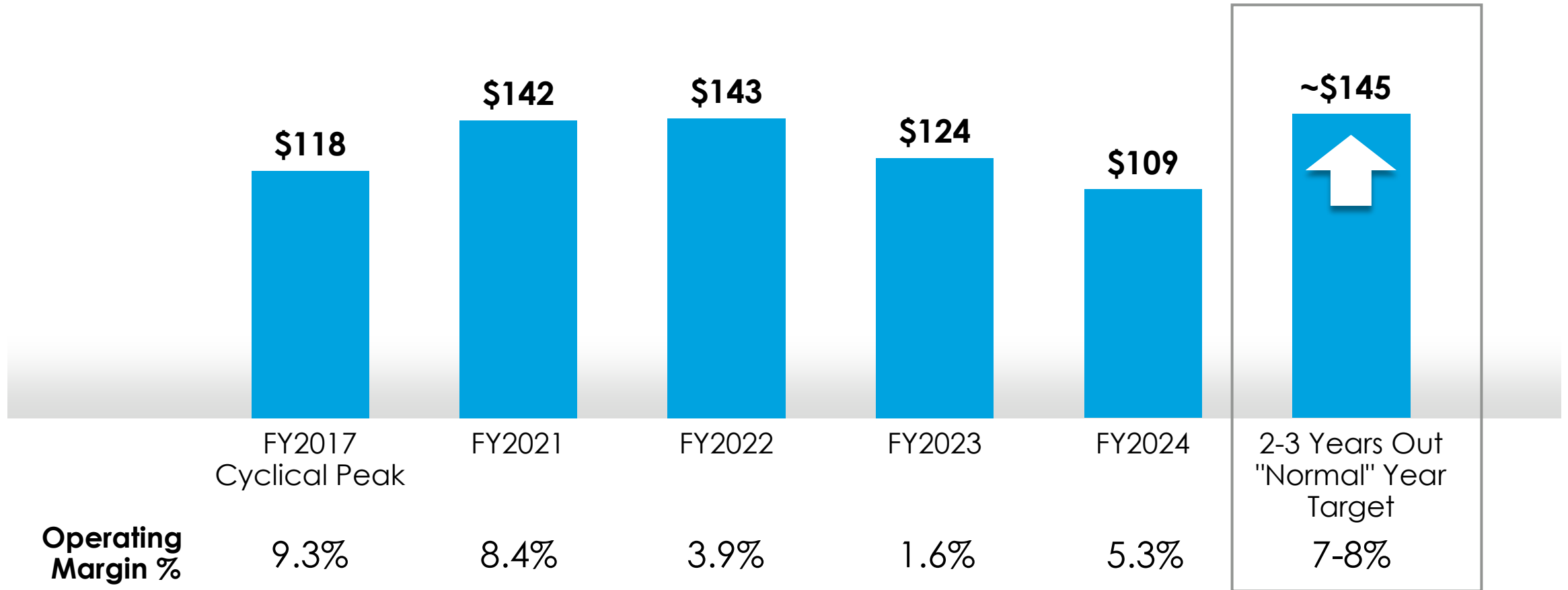
- **Leading position in a fragmented market**
- **Asset light model to maintain flexibility and product profit performance**
- **Growing innovative performance products**
 - LiveSmart® performance brand
 - LiveSmart Evolve®, performance plus recycled fibers
 - Nanobionic® wellness-focused technology
- **Growing Hospitality segment**
 - Targeting >25% of normalized sales with higher margin
 - Expanding capacity of roller shades within Read Window Products
- **Drive operating efficiencies**
 - Cut & Sew platform restructuring completed in both Haiti and Asia
 - Improved Read Window operations
 - Lower inventory markdown expense

**Accelerating
Segment
Performance**



Upholstery Fabrics Segment: Expect Improved Results

Sales (\$M) and Margin



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Consistent Capital Allocation Priorities

1 Maintain Strong Balance Sheet

- Minimal or no debt
- Prudentially suspended dividend in June 2022



2 Invest for Growth

- Invest in working capital, cap ex¹, organic growth
- Selective, non-capital intensive acquisitions



3 Return Capital to Shareholders – with excess cash

- Share repurchases: since 2012 repurchased ~12% of outstanding shares
- Regular and special dividends as appropriate



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Expect Improved Outlook FY'25 and Beyond

Potential Tailwinds

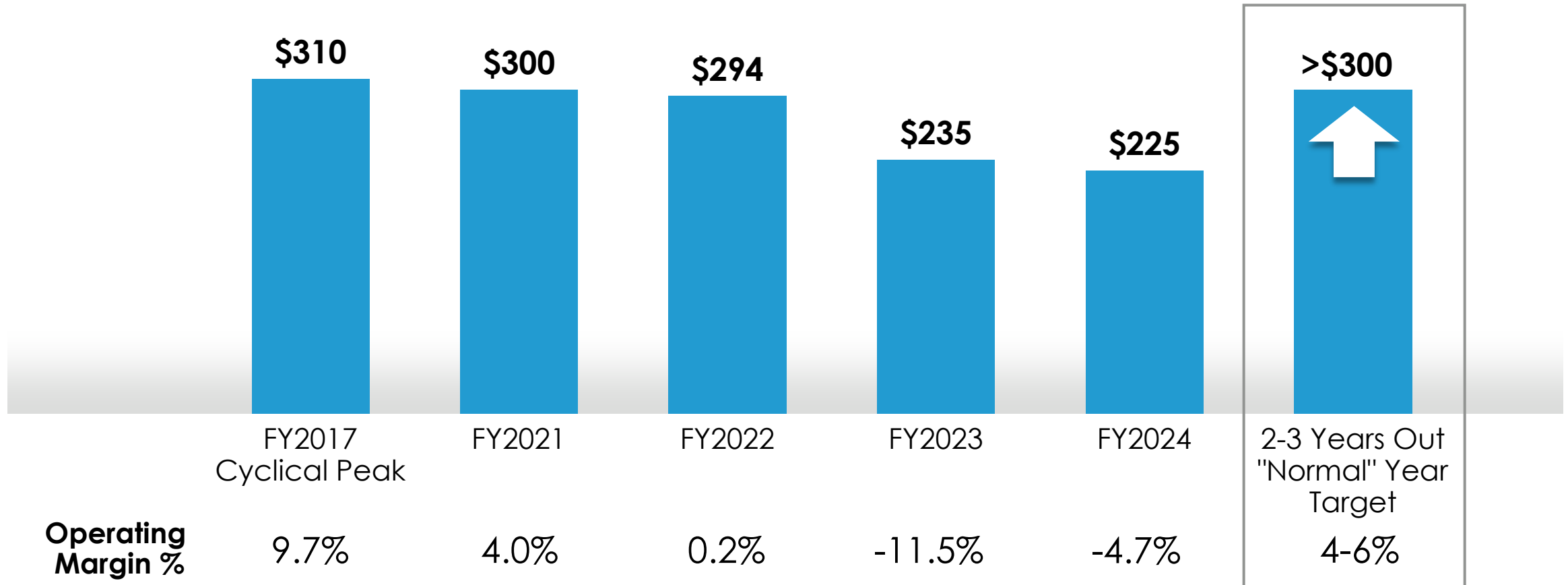
- Future improved macro environment (timing uncertain)
- New products, normalized margins
- Impact of quality / efficiency improvements
- Lower raw material costs (60-70% of total costs)

Targeted Timeline to Renewed Growth



Culp Target Outlook: Solid Recovery as Market Returns to “Normalized” Growth

Sales (\$M) and Margin¹



How We Will Measure Progress Going Forward in FY25

Our targets and plans include:

- Execute restructuring plan (see restructuring presentation at <https://culpinc.gcs-web.com/>)
- Return to consolidated operating profitability post-restructuring
- Upholstery Fabrics consistently profitable
- Mattress Fabrics recovers to profitability post-restructuring
- Maintain solid balance sheet and liquidity



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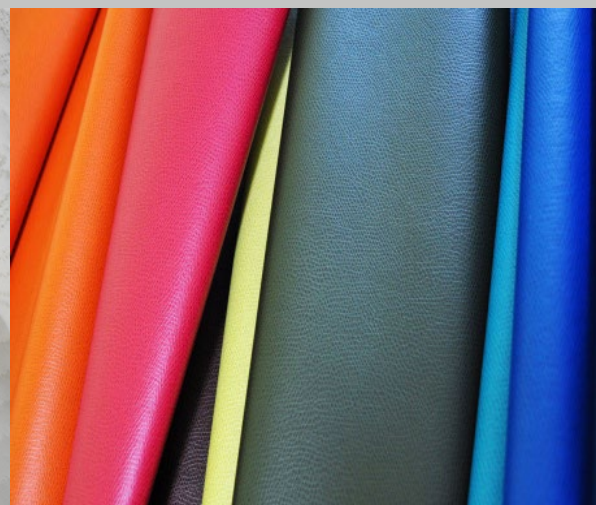
Clear road map to renewed growth





CULP

Appendix



Board of Directors

Director Bios

John A. Baugh, CFA

- Mr. Baugh is the vice president of investor relations for PROG Holdings, Inc., a publicly traded fintech holding company that provides transparent and competitive payment options to consumers. Prior to joining PROG Holdings, he was a sell-side analyst with Stifel Financial, serving as Managing Director, Senior Equity Research from 2005 – 2020, where he covered industries including home furnishings, retail, building products, and lease-town, including coverage of Culp, Inc. and many of its largest customers.
- Director since 2021
- Member of Compensation Committee; CG&N Committee; and Audit Committee (Chair)

Robert G. Culp, IV

- Mr. Culp is the President and Chief Executive Officer of Culp, Inc. (since 2020). He has been employed with Culp since 1998. He was named President of Culp Home Fashions in 1994 and Chief Operating Officer in 2019.
- Director since 2020
- Member of Executive Committee

Sharon A. Decker

- Ms. Decker is president of Tryon Equestrian Partners, Carolina Operations, an investment group responsible for the development and operation of a premiere sports complex and resort in Western North Carolina.
- Director since 2019
- Member of Compensation Committee; CG&N Committee (Chair); and Audit Committee

Kimberly B. Gatling

- Ms. Gatling is a partner and the Chief Diversity and Inclusion Officer at the law firm of Fox Rothschild LLP (formerly Smith Moore Leatherwood LLP).
- Director since 2021
- Member of Compensation Committee; CG&N Committee; and Audit Committee

Board of Directors (continued)

Fred A. Jackson

- Mr. Jackson is the retired chief executive officer of American & Efird LLC, a global manufacturer of sewing, thread, embroidery thread, and technical textiles.
- Director since 2016
- Lead Director; Member of Compensation Committee; CG&N Committee; Audit Committee; and Executive Committee

Alexander B. Jones

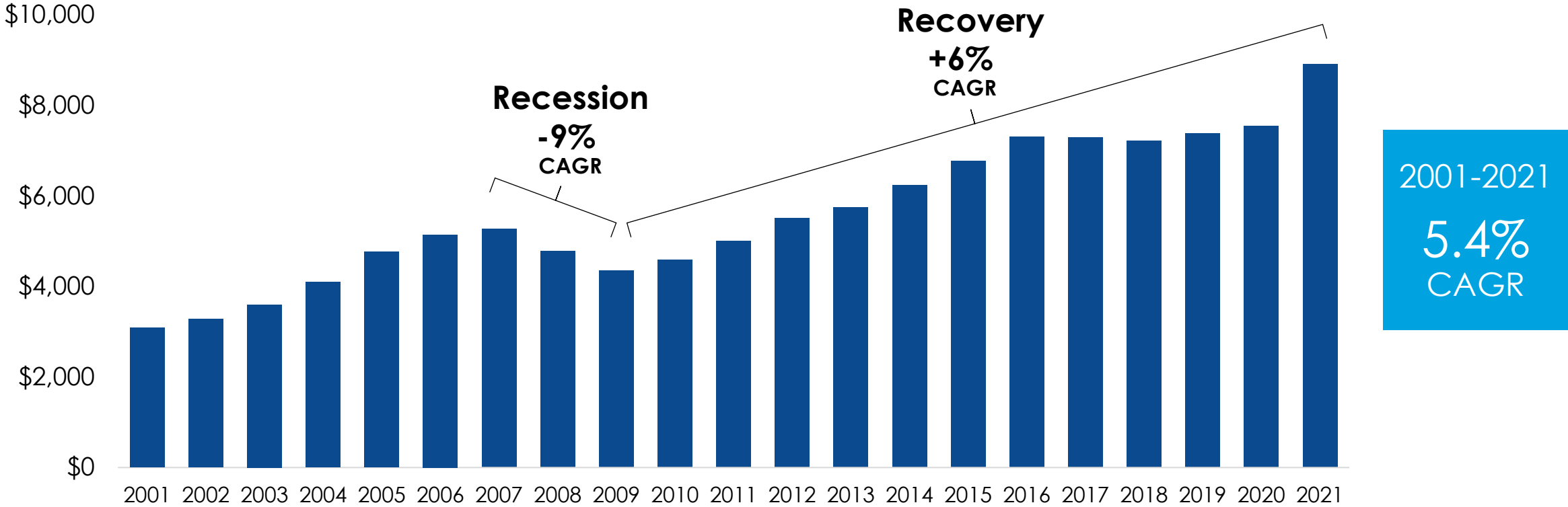
- Mr. Jones is Vice President and Senior Research Analyst for 22NW, LP, a Seattle-based long/short small cap value hedge fund, having joined the firm in 2021.
- Director since 2024
- Member of Compensation Committee and Audit Committee

Franklin N. Saxon (Chairman of the Board)

- Mr. Saxon was employed by Culp, Inc. from 1983 to 2022, serving in various senior management capacities, including Chief Executive Officer and Chief Financial Officer, President of Culp Velvets/prints division, and Chief Operating Officer. He served as President and Chief Executive Officer from 2007 through 2019 and as Executive Chairman from 2020 to 2022.
- Director since 1987
- Member of Executive Committee

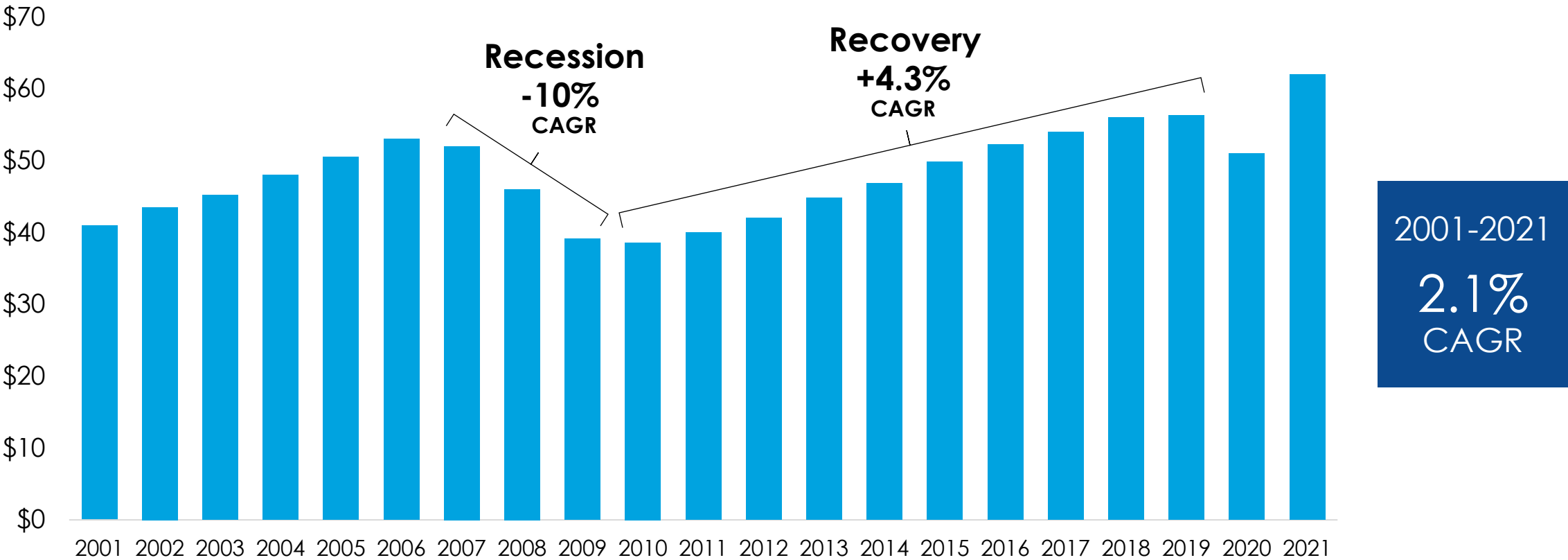
Mattress Sales – Solid Long-Term Growth Trend

Domestic Wholesale Mattress Dollar Sales (\$Millions)



Home Furnishing Sales – Solid Long-Term Growth Trend

Annual U.S. Home Furnishing Retail Sales 2001-2021 (\$ Billions)



Reconciliation of Free Cash Flow

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>
Net cash (used in) provided by operating activities	\$32,981	\$27,473	\$13,873	\$4,970	\$21,478	(\$17,441)	\$7,804	(\$8,224)
Minus: Capital Expenditures	(11,858)	(8,005)	(3,261)	(4,585)	(6,664)	(5,695)	(2,108)	(3,711)
Plus: Proceeds from the sale of property, plant and equipment	141	6	1,894	672	12	-	468	385
Plus: Proceeds from long-term note receivable associated with discontinued operation	-	-	-	1,523	-	-	-	-
Plus: Proceeds from note receivable	-	-	-	-	-	-	15	330
Minus: Investment in unconsolidated joint venture	(1,129)	(661)	(120)	(220)	(90)	-	-	-
Plus: Proceeds from life insurance policy	-	-	394	-	-	-	-	-
Minus: Payments on vendor-financed capital expenditures	(1,050)	(3,750)	(1,412)	-	-	-	-	-
Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	-	57	1,233	-	157	56	2,058	1,449
Minus: Purchase of long-term investments (Rabbi Trust)	(1,351)	(1,902)	(1,011)	(788)	(619)	(1,088)	(1,185)	(884)
Minus: Premium payment on life insurance policy	(18)	(18)	-	-	-	-	-	-
Excess tax benefit related to stock options exercised	657	-	-	-	-	-	-	-
Effect of exchange rate changes on cash and cash equivalents	(56)	85	(93)	(119)	131	(91)	(202)	(171)
Free Cash Flow	\$18,317	\$13,285	\$11,497	\$1,453	\$14,405	(\$24,259)	\$6,850	(\$10,826)

ABOUT NON-GAAP FINANCIAL INFORMATION

This document 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 and payments on vendor-financed capital expenditures, plus any proceeds from sale of property, plant, and equipment, plus proceeds from note receivable, plus proceeds from note receivable, plus proceeds from the sale of long-term investments associated with our rabbi trust, less the purchase of long-term investments associated with our rabbi trust, and plus or minus the effects of foreign currency exchange rate changes on cash and cash equivalents, in each case to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in this report. 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, additions to cash and investments, and other corporate purposes. 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 possible 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.