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CULP, INC.

NYSE: CULP

Fourth Quarter Fiscal 2020
Summary Financial Information

July 1, 2020

COVID-19 BUSINESS RESPONSE

- **The company continues to closely monitor the impact of the COVID-19 pandemic and take action to safeguard the health of its employees, serve its customers, and manage its liquidity. During the fourth quarter of fiscal 2020, the company quickly implemented several measures to preserve balance sheet strength and reduce costs, including:**
  - Selling its majority interest in eLuxury to increase liquidity and focus on its core business segments;
  - Repurposing some of its operations to manufacture critical products for healthcare and other essential industries;
  - Proactively drawing down a total of $31 million under the company's domestic and China credit facilities as a precautionary measure (this debt has now been repaid in full based on improving business conditions, as described above);
  - Reducing operating costs by implementing temporary salary reductions, making workforce adjustments to align with demand, suspending merit pay increases, and eliminating cash compensation paid to the company's Board of Directors;
  - Postponing non-essential capital expenditures and aggressively reducing expenses and discretionary spending; and
  - Working with the company's vendors and landlords to negotiate temporary terms.
- **Together, these actions helped mitigate the financial impact of lower industry demand and shutdowns as a result of COVID-19.**

FOURTH QUARTER FISCAL 2020 FINANCIAL SUMMARY*

- Net sales were $47.4 million, down 29.3 percent over the prior-year period, with mattress fabrics sales down 38.5 percent and upholstery fabrics sales down 17.3 percent.

- Pre-tax loss from continuing operations (GAAP) for the fourth quarter of fiscal 2020 was $(18.4) million, compared with pre-tax income from continuing operations of $2.0 million for the prior-year period.

- Adjusted pre-tax loss from continuing operations (non-GAAP) for the fourth quarter of fiscal 2020 was $(4.7) million, excluding $13.7 million in non-cash asset impairment charges associated with goodwill and certain intangible assets, of which $11.5 million related to the mattress fabrics segment and $2.2 million related to the upholstery fabrics segment. Adjusted pre-tax income from continuing operations (non-GAAP) for the prior-year period was $2.5 million, excluding a non-recurring charge of $500,000. (See reconciliation table at back of presentation).

- Net loss for the fourth quarter of fiscal 2020 was $(27.8) million, or $(2.26) per diluted share (which includes the $13.7 million in non-cash asset impairment charges described above as well as a net loss from a discontinued operation of $(8.7) million associated with eLuxury). This compares with a net loss of $(1.5) million, or $(0.12) per diluted share, for the fourth quarter of fiscal 2019 (which includes the non-recurring charge noted above and a net loss from a discontinued operation of $(0.4) million associated with eLuxury).

*The company sold its majority interest in eLuxury, LLC ("eLuxury") on March 31, 2020, resulting in the elimination of the company's home accessories segment. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations for the fourth quarter and fiscal 2020 year (and for all prior periods of comparison) and presented as a discontinued operation in the company's consolidated financial statements.

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FOURTH QUARTER FISCAL 2020 FINANCIAL SUMMARY (cont'd)

- In connection with the company's annual impairment assessment of its goodwill and certain other intangible assets, the company determined impairment indicators existed as a result of the material impact on the company's financial performance and the significant decline in its stock price and market capitalization resulting from the COVID-19 outbreak. This resulted in a $13.7 million non-cash asset impairment charge during the fourth quarter, of which $11.5 million related to the mattress fabrics segment and $2.2 million related to the upholstery fabrics segment.

- As previously disclosed, the company sold its majority ownership interest in eLuxury during the fourth quarter of fiscal 2020, resulting in the elimination of the home accessories segment. As a result, this segment was presented as a discontinued operation and reported a pre-tax loss of $(8.7) million for the fourth quarter and $(17.6) million for the fiscal 2020 year.

- The Company repurchased 86,746 shares for approximately $1 million during the fourth quarter of fiscal 2020, leaving approximately $3.3 million available under the share repurchase program approved by the Board of Directors in September 2019. The Board subsequently approved an increase in the company's share repurchase authorization back up to a total of $5.0 million in March 2020. However, as previously disclosed, the company has suspended its share repurchases given the economic uncertainty related to COVID-19.

FISCAL 2020 FULL YEAR FINANCIAL SUMMARY*

- The company's financial position as of the end of fiscal 2020 reflected total cash and investments of $77.1 million and outstanding borrowings totaling $38.4 million, for a net cash position of $38.7 million. (See summary of cash and investments on Slide 18). This compares with total cash and investments of $34.8 million and outstanding borrowings totaling $925,000, for a net cash position of $33.9 million, as of the end of the third quarter of fiscal 2020.

- Net sales were $256.2 million, down 8.9 percent compared with the prior year, with mattress fabric sales down 9.8 percent and upholstery fabric sales down 8.0 percent.

- Pre-tax loss from continuing operations (GAAP) for fiscal 2020 was $(7.7) million, compared with pre-tax income from continuing operations of $12.7 million for fiscal 2019.

- Adjusted pre-tax income from continuing operations (non-GAAP) for fiscal 2020 was $6.0 million, excluding non-cash asset impairment charges of $13.7 million associated with goodwill and certain intangible assets, of which $11.5 million related to the mattress fabrics segment and $2.2 million related to the upholstery fabrics segment. Adjusted pre-tax income from continuing operations (non-GAAP) for the prior year was $15.5 million, excluding restructuring and related charges and credits and other non-recurring charges resulting in a net charge of approximately $2.7 million. (See reconciliation table at back of presentation).

*The company sold its majority interest in eLuxury on March 31, 2020, resulting in the elimination of the company's home accessories segment. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations for the fourth quarter and fiscal 2020 year (and for all prior periods of comparison) and presented as a discontinued operation in the company's consolidated financial statements.

FISCAL 2020 FULL YEAR FINANCIAL SUMMARY (cont'd)

- **Net loss for fiscal 2020 was \$(28.7) million, or \$(2.32) per diluted share (which includes the \$13.7 million in non-cash asset impairment charges described above as well as a net loss from a discontinued operation of \$(17.5) million associated with eLuxury), compared with net income of \$5.5 million, or \$0.43 per diluted share, in fiscal 2019 (which includes the \$2.7 million charge resulting from the restructuring and related charges and credits described above and a net loss from discontinued operations of \$(0.6) million associated with eLuxury).**

- **The company paid \$5.1 million in dividends and \$1.7 million in share repurchases (142,496 shares) during fiscal 2020. In March 2020, the company's Board of Directors approved an increase in the company's share repurchase authorization back up to a total of \$5.0 million. As previously disclosed, the company has suspended its share repurchases given the economic uncertainty related to COVID-19.**

FISCAL 2021 FIRST QUARTER BUSINESS AND LIQUIDITY UPDATE

- For the first quarter of fiscal 2021, the company is seeing improved business conditions and a better-than-expected increase in demand as customers and retail stores have started to re-open. For the first eight weeks of fiscal 2021, there has been a significant improvement in orders and shipments for both the mattress fabrics and upholstery fabrics segment, as compared to March and April 2020.

- Effective as of June 22, 2020, the company is once again debt-free after repaying the borrowings previously outstanding as of the end of the fiscal 2020 fourth quarter. The company's current financial position through the first eight weeks of fiscal 2021 reflects an improved total net cash position as compared to the end of the fourth quarter of fiscal 2020.

- The company announced that on June 30, 2020, it amended its existing credit agreement to increase flexibility regarding its financial maintenance covenants due to the impact of the COVID-19 pandemic.

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

FINANCIAL OUTLOOK

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

- **Although subject to unforeseen changes that may arise as the pandemic and its economic impact continue to unfold, the company is encouraged by improving business conditions and expects sales and operating performance for the first quarter of fiscal 2021 to be significantly improved as compared with the fourth quarter of fiscal 2020, with operating income expected to be near break-even and the company's net cash position expected to be comparable to its net cash position at the end of the fiscal 2020 year.**

FOURTH QUARTER 2020 HIGHLIGHTS

($ in millions)

GAAP	Q4 FY20	Q4 FY19	Change $	Change %
Sales	$47.4	$67.0	$(19.6)	(29.3)%
Oper. Inc. (Loss) from Continuing Ops*	(18.0)**	$2.4	$(20.4)	NM
Operating income margin	(38.0)%**	3.6%		NM
Pre-tax Inc (Loss) from Continuing Ops*	$(18.4)**	$2.0***	$(20.4)	NM
Pre-tax margin	(38.8)%**	3.0%***		NM
Net Loss	$(27.8)****	$(1.5)*****	$(26.3)	NM
Net Loss per diluted share	$(2.26)****	$(0.12)*****	$(2.14)	NM

* Effective March 31, 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations for the fourth quarter and fiscal 2020 year (and for all prior periods of comparison) and presented as a discontinued operation in the company's consolidated financial statements.

** These amounts include $13.7 million in non-cash asset impairment charges that pertained to goodwill and certain intangible assets. Of this $13.7 million, $11.5 million and $2.2 million were associated with the mattress fabrics segment and upholstery fabrics segment, respectively. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

*** These amounts include a $500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution is being paid over a period of three years. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

**** These amounts include the $13.7 million in non-cash asset impairment charges described above as well as a net loss from a discontinued operation of $(8.7) million associated with eLuxury. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

***** These amounts include the $500 non-recurring charge noted above and a net loss from a discontinued operation of $(0.4) million associated with eLuxury. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

FOURTH QUARTER 2020 HIGHLIGHTS

($ in millions)

Adjusted (Non-GAAP) *	Q4 20	Q4 FY19	Change	
			$	%
Adj Operating Income (Loss) from Continuing Ops**	$(4.3)***	$2.4	$(6.7)	NM
Adj Operating income margin	(9.0)% ***	3.6%		NM
Adj Pre-tax income (Loss) from Continuing Ops**	$(4.7)***	$2.5****	$(7.2)	NM
Adj Pre-tax margin	(9.9)%***	3.7%****		NM

*Refer to preceding Slide 9 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

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FISCAL 2020 HIGHLIGHTS

($ in millions)

GAAP	FY20	FY19	Change	
			$	%
Sales	$256.2	$281.3	$(25.1)	(8.9)%
Operating Income (Loss) from Continuing Ops*	$(7.6)**	$13.4***	$(21.0)	NM
Operating income margin	(3.0)%**	4.7%***		NM
Pre-tax income (Loss) from Continuing Ops*	$(7.7)**	$12.7***	$(20.4)	NM
Pre-tax margin	(3.0)%**	4.5%***		NM
Net (Loss) income	$(28.7)****	$5.5*****	$(34.2)	NM
Net (Loss) income per diluted share	$(2.32)****	$0.43*****	$(2.75)	NM

*Effective March 31, 2020, we sold our entire ownership interest in eLuxury, LLC, resulting in the elimination of the company's home accessories segment at such time. Accordingly, the financial results for this segment are excluded from the reported financial performance of the company's continuing operations for the fourth quarter and fiscal 2020 year (and all prior periods of comparison) and presented as a discontinued operation in the company's consolidated financial statements.

** These amounts include $13.7 million in non-cash asset impairment charges that pertained to goodwill and certain intangible assets. Of this $13.7 million, $11.5 million and $2.2 million were associated with the mattress fabrics segment and upholstery fabrics segment, respectively. These amounts also include a $70 restructuring credit that pertained to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

*** These amounts include $2.2 million of restructuring and related charges and credits and other non-recurring charges. Pre-tax loss also includes a $500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

**** These amounts include the $13.7 million in non-cash asset impairment charges described above as well as a net loss from a discontinued operation of $(17.5) million associated with eLuxury. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

***** These amounts include the aggregate $2.7 million resulting from the restructuring and related charges and credits described above and a net loss from a discontinued operation of $(0.6) million associated with eLuxury. See the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation for additional details.

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FISCAL 2020 HIGHLIGHTS

($ in millions)

Adjusted (Non-GAAP) *	FY20	FY19	Change	
			$	%
Adj Operating Income (Loss) from Continuing Ops**	$6.1***	$15.6****	$(9.5)	(61.0)%
Adj Operating income margin	2.4% ***	5.5%****		(310) bp
Adj Pre-tax income from Continuing Ops**	$6.0***	$15.5****	$(9.5)	(61.4)%
Adj Pre-tax margin	2.3%***	5.5%****		(320) bp

*Refer to preceding Slide 11 for GAAP presentation as well as the Reconciliation of Selected Income Statement Information to Adjusted Results at the back of this presentation.

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Q4 SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	Change %
Q4 2019	$67.0	
Mattress fabrics decrease	(14.6)	(38.5)%
Upholstery fabrics decrease	(5.0)	(17.3)%
Q4 2020	$47.4	(29.3)%

Operating Income	Change $	Change %
Q4 2019	$2.4	
Mattress fabrics decrease	(5.4)	(202.4)%
Upholstery fabrics decrease	(1.3)	(72.4)%
Unallocated corporate expense increase	(0.0)	(1.5)%
Asset Impairments	(13.7)	NM
Q4 2020	$(18.0)	NM

* From continuing operations for the quarterly periods ended May 3, 2020, and April 28, 2019.

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FY 2020 SALES & OPERATING INCOME BRIDGES*

($ in millions)

Sales	Change $	%
FY 2019	$281.3	
Mattress fabrics decrease	(14.2)	(9.8)%
Upholstery fabrics decrease	(10.9)	(8.0)%
FY 2020	$256.2	(8.9)%

Operating Income	Change $	%
FY 2019	$13.4	
Mattress fabrics decrease	(6.7)	(57.6)%
Upholstery fabrics decrease	(1.0)	(8.8)%
Unallocated corporate expense decrease	(1.8)	17.5%
Asset Impairment, Other Non-Recurring & Restructuring	(11.4)	NM
FY 2020	$(7.6)	(85.2)%

* From continuing operations for the twelve month periods ended May 3, 2020, and April 28, 2019.

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FREE CASH FLOW*

($ in millions)

	FY20	FY20
Net income	-28.7	5.5
Depreciation, amortization, & stock-based compensation	9.1	9.0
Deferred taxes, other	27.8	0.8
Gross cash flow	8.2	15.3
Cash flow from working capital and changes in others assets/liabilities	(3.2)	(1.4)
Cash flow from operations	5.0	13.9
Capital expenditures, including payments that are vendor financed	(4.6)	(4.7)
Investment in unconsolidated joint venture	(0.2)	(0.1)
Other	1.3	2.4
Free cash flow	$1.5	$11.5

* See reconciliation at the back of this presentation.

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ADJUSTED EBITDA

Reconciliation of Net Income to Adjusted EBITDA

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED MAY 3, 2020 AND APRIL 28, 2019
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Amounts	
	May 3, 2020	April 28, 2019
Net (loss) income	$ (28,667)	$ 5,458
Loss before income taxes from discontinued operations	17,577	726
Income tax expense from continuing operations	3,354	6,537
Interest income, net	(791)	(754)
Asset impairments from continuing operations	13,712	—
Restructuring credit and related charges	(70)	1,563
Other non-recurring charges	-	1,178
Depreciation expense - continuing operations	7,477	7,795
Amortization expense	647	780
Stock based compensation	614	130
Adjusted EBITDA	$ 13,853	$ 23,413
% Net Sales	5.4%	8.3%

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OPERATING WORKING CAPITAL

($ in millions)

	May 3, 2020	April 28, 2019	% Change
Accounts receivable, net	$25.1	$23.4	7.4%
Inventories, net	47.9	47.6	0.7%
Accounts payable	(23.0)	(22.7)	1.2%
Accounts payable – capital expenditures	(0.1)	(0.1)	57.4%
Operating working capital	$49.9	$48.2	3.5%
Percent of sales*	19.5%	17.1%	240 bp
Days sales outstanding	45.2	29.9	53.5%
Inventory turns	3.5	4.6	(24.3)%
Days accounts payable outstanding**	45.5	37.9	20.1%

* Sales used in the calculation is an annualized amount derived from the year-to-date net sales.
** Accounts payable also includes accounts payable – capital expenditures.

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NET CASH, INVESTMENTS, AND EQUITY

($ and share amounts in millions)

	FY20	FY19	% Change
Cash and cash equivalents	$69.8	$40.0	74.4%
Short-term investments (Available for Sale)	0.9	0.0	NM
Short-term investments (Held-to-Maturity)	4.3	5.0	(14.6)%
Long-term investments (Held-to-Maturity)	2.0	0.0	NM
Total cash and investments	$77.1	$45.0	71.3%
Total debt	$38.4	$ 0.0	NM
Net cash and investments	$38.7	$45.0	(14.0)%
Shareholders' equity attributable to Culp, Inc.	$129.7	$156.9	(17.4)%
Shares outstanding	12,285	12,391	(0.5)%
Book value per share	$10.56	$12.91	(18.2)%

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Q4 MATTRESS FABRICS HIGHLIGHTS

($ in millions)

	Q4 FY20	Q4 FY19	Change	
			$	%
Sales	$23.4	$38.0	$(14.6)	(38.5)%
Operating Income (Loss)	(2.8)	2.7	$(5.5)	(202.4)%
Operating Income Margin	(11.8)%	7.1%		NM
Depreciation	$1.7	$1.7	$(0.0)	(2.7)%

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FISCAL 2020 MATTRESS FABRICS HIGHLIGHTS

($ in millions)

	FY20	FY19	Change $	Change %
Sales	$131.4	$145.7	$(14.3)	(9.8)%
Operating Income	4.9	11.6	$(6.7)	(57.6)%
Operating Income Margin	3.7%	8.0%		(430) bp
Depreciation	$6.7	$7.0	$0.3	(4.2)%

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Q4 MATTRESS FABRICS KEY POINTS

- The unprecedented disruption from the COVID-19 pandemic significantly affected the results for the fourth quarter and fiscal 2020, with a rapid drop in demand beginning in mid-March as customers and retail stores began closing or substantially limiting their operations.
- Due to government-mandated closure requirements near the end of March, facilities in Canada and Haiti were shut down for several weeks, and production schedules at U.S. facilities were reduced and workers furloughed to align with severely reduced demand.
- Despite the challenges, available operations were repurposed to produce face masks, bedding covers, and fabrics for healthcare operations and consumer health. This provided much-needed support to relief efforts and allowed us to keep as many workers as possible employed.
- Recently introduced digital library, design simulations, and 3D image rendering capabilities were also leveraged during this period to continue showcasing products and support customers through virtual design collaboration in the face of travel restrictions and cancelled trade shows.
- Through the first eight weeks of fiscal 2021, there has been a steady increase in demand as customers and retail stores have started to resume operation. As of the end of June 2020, production schedules have dramatically increased and substantially all previously furloughed workers have been returned to meet this increased demand, and inventory has been reduced by approximately $5.0 million during this period.
- CLASS sewn mattress cover business is experiencing a swift return to pre-COVID-19 favorable demand trends, with continued growth trend for online boxed bedding. Building expansion in Haiti expected to be completed during the second quarter of fiscal 2021, which will provide additional capacity and enhance ability to produce sewn covers.
- Encouraged by recent anti-dumping petitions filed with the U.S. International Trade Commission and Department of Commerce against seven countries relating to low-priced mattress imports. If successful, the proposed relief being sought is expected to benefit the domestic mattress industry.

Q4 UPHOLSTERY FABRICS HIGHLIGHTS

($ in millions)

	Q4 FY20	Q4 FY19	Change $	Change %
Sales	**$24.0**	**$29.0**	**$(5.0)**	**(17.3)%**
Operating Income	**$0.5**	**$1.8**	**$(1.3)**	**(72.4)%**
Operating Income Margin	**2.0%**	**6.1%**		**(410) bp**
Depreciation	**$0.2**	**$0.2**	**$(0.0)**	**(2.1)%**

FISCAL 2020 UPHOLSTERY FABRICS HIGHLIGHTS

($ in millions)

	FY20	FY19	Change $	Change %
Sales	$124.8	$135.7	$(10.9)	(8.0)%
Operating Income	$9.9	$10.8	$(0.9)	(8.8)%
Operating Income Margin	7.9%	8.0%		(10) bp
Depreciation	$0.8	$0.8	$(0.0)	(2.8)%

Q4 UPHOLSTERY FABRICS KEY POINTS

- Results for fourth quarter reflect material decline in sales and severe disruption from COVID-19 pandemic.
- Began fourth quarter on track for strong sales and solid operating performance, consistent with expectations, but orders and shipments declined significantly beginning in second half of March as most U.S. customers and furniture retailers shut down or limited operations due to COVID-19 pandemic.
- Responded quickly to the new operating environment, including developing virtual showcase presentations to continue representing products to customers in the fact of travel restrictions and cancelled trade shows.
- Still achieved a solid year of annual sales and operating performance, especially considering the negative impact of COVID-19 during the last six weeks of the fourth quarter.
- Strong Asia platform, including cut and sew capabilities in Vietnam and stable, long-term supplier relationships, continues to support our business and enable us to meet changing customer demands.
- Our LiveSmart® line of highly durable, stain-resistant performance fabrics remains popular, with continued positive demand trends for LiveSmart Evolve™, our recently introduced line of sustainability fabrics featuring the use of recycled yarns along with the same stain-resistant performance.
- Experienced continued growth in hospitality business throughout the year, with a meaningful contribution from Read Window Products. However, ongoing pressure in the travel and leisure industries as a result of COVID-19 may negatively affect this business, at least in the short-term, as it remains uncertain whether hotels and other hospitality venues will undertake new refurnishing projects in the current environment.
- Encouraged by recent sales trends through the first eight weeks of the first quarter of fiscal 2021, which are better than anticipated. As customers and retail stores across U.S. have resumed operations, there has been a gradual increase in orders and shipments as business conditions continue to normalize.

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FORWARD LOOKING STATEMENTS

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

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

ABOUT NON-GAAP FINANCIAL INFORMATION

This presentation contains 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 other non-recurring charges or credits associated with our business, and asset impairment charges. The company has included this adjusted information in order to show operational performance excluding the effects of asset impairment charges and charges and credits which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes this presentation aids in the comparison of financial results among comparable financial periods. 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 asset impairment charges and restructuring and related charges and credits, as well as other non-recurring items, do have an effect on our financial performance.

This presentation contains disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash provided by operating activities, less cash capital expenditures, plus any proceeds from sale of property, plant, and equipment, plus proceeds from long-term note receivable associated with discontinued operations, less investment in unconsolidated joint venture, plus payments from life insurance policy, less payments on vendor-financed capital expenditures, plus proceeds from the sale of long-term investments associated with our Rabbi Trust, less the purchase of long-term investments associated with our Rabbi Trust, and plus or minus the effects of exchange rate changes on cash and cash equivalents. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases, dividends, and additions to cash and 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.

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ABOUT NON-GAAP FINANCIAL INFORMATION (2)

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

Q4 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE THREE MONTHS ENDED MAY 3, 2020 AND APRIL 28, 2019

	THREE MONTHS ENDED (UNAUDITED)						
	As Reported May 3, 2020		Adjustments	May 3, 2020 Adjusted Results	**As Reported April 28, 2019**		Adjustments	April 28, 2019 Adjusted Results
Gross profit from continuing operations	$ **3,045**		—	3,045	**11,195**		—	11,195
Selling, general and administrative expenses	**(7,327)**		—	(7,327)	**(8,758)**		—	(8,758)
Asset impairments	**(13,712)**	(1)	13,712	—	—		—	—
(Loss) income from continuing operations	**(17,994)**		13,712	(4,282)	**2,437**		-	2,437
Other expense	**(426)**		—	(426)	**(670)**	(2)	500	(170)
(Loss) income before income taxes from continuing operations	$ **(18,383)**		13,712	(4,671)	**1,988**		500	2,488

Notes

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

(2) Other expense for the three-month period ending April 28, 2019, included a $500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. This charitable contribution is being paid over a period of three years.

FISCAL 2020 RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS

CULP, INC.
RECONCILIATION OF SELECTED INCOME STATEMENT INFORMATION TO ADJUSTED RESULTS
FOR THE TWELVE MONTHS ENDED MAY 3, 2020 AND APRIL 28, 2019

	TWELVE MONTHS ENDED (UNAUDITED)						
	As Reported May 3, 2020		Adjustments	May 3, 2020 Adjusted Results	**As Reported April 28, 2019**		Adjustments	April 28, 2019 Adjusted Results
Gross profit from continuing operations	$ **40,498**		—	40,498	**45,769**	(3)	2,508	48,277
Selling, general and administrative expenses	**(34,424)**		—	(34,424)	**(33,243)**	(4)	558	(32,685)
Asset impairments	**(13,712)**	(1)	13,712	—	—		—	—
Restructuring credit	**70**	(2)	(70)	—	**825**	(5)	(825)	—
(Loss) income from continuing operations	**(7,568)**		13,642	6,074	**13,351**		2,241	15,592
Other expense	**(902)**		—	(902)	**(1,383)**	(6)	500	(883)
(Loss) income before income taxes from continuing operations	$ **(7,679)**		13,642	5,963	**12,722**		2,741	15,463

Notes

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

(2) The $70 restructuring credit pertains to employee termination benefits associated with the closure of our Anderson, SC upholstery fabrics facility.

(3) The $2.5 million represents a restructuring related charge of $1.6 million for inventory markdowns, $784 for other operating costs associated with closed Anderson, SC upholstery fabrics facility, and $159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.

(4) The $558 consists of a non-recurring charge totaling $469 that was associated with the accelerated vesting of certain stock-based compensation agreements. Of this $469 non-recurring charge, $429 and $40 pertain to unallocated corporate expenses and a restructuring related charge associated with our closed Anderson, SC upholstery fabrics facility. Additionally, the $558 consists of a non-recurring charge of $89 for employee termination benefits and operational reorganization costs associated with our mattress fabrics segment.

(5) The $825 restructuring credit represents a $1.5 million gain on sale of property, plant, and equipment associated with our closed Anderson, SC upholstery fabrics facility, partially offset by a charge of $661 for employee termination benefits.

(6) Other expense for the year ending April 28, 2019, included a $500 non-recurring charge for an endowed scholarship to the University of North Carolina at Chapel Hill in honor of our Co-Founder and former Chairman of the Board. The charitable contribution is being paid over a period of three years.

RECONCILIATION OF FREE CASH FLOW

Reconciliation of Free Cash Flow
For the Twelve Months Ended May 3, 2020, and April 28, 2019
(Unaudited)
(Amounts in thousands)

(1) Free Cash Flow reconciliation is as follows:

	FY 2020	FY 2019
A) Net cash provided by operating activities	$ 4,970	13,873
B) Minus: Capital Expenditures	(4,585)	(3,261)
C) Plus: Proceeds from the sale of property, plant, and equipment	672	1,894
D) Plus: Proceeds from long-term note receivable associated with discontinued operation	1,523	—
E) Minus: Investment in unconsolidated joint venture	(220)	(120)
F) Plus: Proceeds from life insurance policy	—	394
G) Minus: Payments on vendor-financed capital expenditures	—	(1,412)
H) Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	—	1,233
I) Minus: Purchase of long-term investments (Rabbi Trust)	(788)	(1,011)
J) Effects of exchange rate changes on cash and cash equivalents	(119)	(93)
Free Cash Flow	$ 1,453	11,497

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