

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) November 29, 2018

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))

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.

INDEX

	<u>Page</u>
Item 2.02 – Results of Operations and Financial Condition	3
Item 9.01(d) - Exhibits	5
Signatures	6
Exhibit Index	7

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. 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. 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,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, 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 measures, as well as any statements regarding potential acquisitions, future economic or industry trends or future developments. 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, as well as our success in finalizing acquisition negotiations and integrating acquired businesses into our existing operations. 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. 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. 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 13, 2018 for the fiscal year ended April 29, 2018.

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 November 29, 2018, we issued a news release to announce our financial results for our second quarter and six months ended October 28, 2018. The news release is attached hereto as Exhibit 99(a).

Also, on November 29, 2018, we released a Financial Information Release containing additional financial information and disclosures about our second quarter and six months ended October 28, 2018. 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 restructuring and other charges and credits that are not expected to occur on a regular basis. 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 operating activities, less cash capital expenditures, less investment in unconsolidated joint venture, plus any proceeds from sales of equipment, plus any proceeds from life insurance policies, less premium payments on our life insurance policy, 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 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.

The news release and Financial Information Release contain disclosures about return on capital, both for the entire company and for individual business divisions. 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 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 news release and 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 is 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 November 29, 2018

99(b) Financial Information Release dated November 29, 2018

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: November 29, 2018

EXHIBIT INDEX

Exhibit Number

Exhibit

[99\(a\)](#)
[99\(b\)](#)

[News Release dated November 29, 2018](#)
[Financial Information Release dated November 29, 2018](#)



Investor Contact: Kenneth R. Bowling
Chief Financial Officer
336-881-5630

Media Contact: Teresa A. Huffman
Vice President, Human Resources

CULP ANNOUNCES RESULTS FOR SECOND QUARTER FISCAL 2019

Board of Directors Authorizes Increase in Quarterly Cash Dividend from \$0.09 to \$0.10 Per Share

HIGH POINT, N.C. (November 29, 2018) — Culp, Inc. (NYSE: CULP) today reported financial and operating results for the second quarter and six months ended October 28, 2018.

Fiscal 2019 Second Quarter Highlights

- Net sales were \$77.0 million, down 4.6 percent over the prior year, with mattress fabrics segment sales down 13.6 percent and upholstery fabrics segment sales up 9.1 percent.
- Pre-tax income was \$4.3 million, compared with \$6.2 million for the prior year period. Excluding restructuring and related charges and credits and other non-recurring items resulting in a net benefit of approximately \$543,000, pre-tax income was \$3.7 million for the second quarter of fiscal 2019. (See reconciliation table on page 7).
- Net income was \$2.9 million, or \$0.23 per diluted share, compared with net income of \$4.0 million, or \$0.32 per diluted share, in the prior year period.
- The company's financial position reflected total cash and investments of \$41.5 million and no debt. (See summary of cash and investments table on page 6).
- The company announced an 11 percent increase in its quarterly cash dividend from \$0.09 to \$0.10 per share, or \$0.40 per share on an annualized basis, commencing in the third quarter of fiscal 2019.

Fiscal 2019 Year to Date Highlights

- Net sales were \$148.5 million, down 7.3 percent over the prior year, with mattress fabrics segment sales down 18.6 percent and upholstery fabrics segment sales up 10.0 percent.
- Pre-tax income was \$6.2 million, compared with \$12.9 million for the prior year period. Excluding restructuring and related charges and credits and other non-recurring items of approximately \$1.5 million, pre-tax income was \$7.7 million for the year to date period. (See reconciliation table on page 7).
- Net income was \$3.9 million, or \$0.31 per diluted share, compared with net income of \$9.0 million, or \$0.71 per diluted share, in the prior year period.

Financial Outlook

- The projection for the third quarter of fiscal 2019 is for overall sales to be down approximately seven percent compared to the same period last year. Pre-tax income is expected to be in the range of \$4.6 million to \$5.4 million, excluding any restructuring and related charges and credits and other non-recurring charges. Pre-tax income for the third quarter of fiscal 2018 was \$7.5 million. Our performance for the fourth quarter of fiscal 2019 is currently expected to be more in line with the results achieved during the fourth quarter of last fiscal year.
- Given the strong free cash flow achieved in the second quarter and the current outlook, free cash flow for fiscal 2019 is expected to be improved over last year's results, even with significant headwinds in the mattress fabrics segment.

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Overview

For the second quarter ended October 28, 2018, net sales were \$77.0 million, compared with \$80.7 million a year ago. On a pre-tax basis, the company reported income of \$4.3 million, compared with pre-tax income of \$6.2 million for the second quarter of fiscal 2018. The company reported net income attributable to Culp, Inc. shareholders of \$2.9 million, or \$0.23 per diluted share, for the second quarter of fiscal 2019, compared with net income of \$4.0 million, or \$0.32 per diluted share, for the second quarter of fiscal 2018. 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 fiscal 2019 was \$3.7 million.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "As expected, our results for the second quarter reflect the ongoing challenges facing the bedding industry, related to the significant increase of low-priced imported mattresses from China. We believe the recent petition approved under U.S. trade laws to address this situation will ultimately be favorable for the domestic mattress industry. However, the high volume of imports continued to affect our major customers during the second quarter, which reduced demand for our mattress fabrics and covers. Our upholstery fabrics business had a solid performance for the second quarter, with a meaningful sales contribution from Read Window Products ("RWP"), acquired at the end of fiscal 2018.

"While we are experiencing considerable headwinds with respect to the mattress industry, we are optimistic that we will begin to see improvement in our quarterly results during the fourth quarter of the fiscal year. We will continue to execute on our product driven strategy as we expand our reach into new markets. We are excited about the potential growth opportunities for RWP in the upholstery fabrics business and for eLuxury, Culp's e-commerce business offering bedding accessories and home goods direct to consumers, in our mattress fabrics business. Above all, we remain focused on offering creative designs and innovative products that meet the changing demands of a diverse customer base.

"Importantly, we have continued to generate strong free cash flow, especially during the second quarter, and return funds to shareholders through another quarterly dividend increase and share repurchases. These decisions reflect our confidence in Culp's future. We have the financial strength to support our business in this current environment, and we are well positioned for continued growth as market conditions evolve," said Saxon.

Mattress Fabrics Segment

Sales for this segment were \$42.0 million for the second quarter, compared with \$48.6 million for the second quarter of fiscal 2018.

"Our mattress fabric sales for the second quarter of fiscal 2019 reflect the ongoing disruptions and uncertainties surrounding the mattress industry," said Iv Culp, chief operating officer and president of Culp's mattress fabrics division. "We were pleased to see sequential sales growth over the first quarter, however, imported mattresses entering the United States from China have continued to significantly disrupt the domestic mattress business. In anticipation of both increased tariffs on mattresses and the anti-dumping petition that was approved by the United States International Trade Commission (ITC) on November 1, 2018, we believe that a number of companies and retailers accelerated orders and promotions of low-cost imported mattresses. As a result, we experienced continued lower demand for mattress fabric and sewn covers from our customers during the quarter.

"The second quarter marked the first full quarter to include the operations of eLuxury. We are excited about this important new sales channel for Culp and the opportunity to participate in the growing e-commerce direct-to-consumer space. We are working hard to develop and create innovative bedding accessory items to be marketed through this exciting platform. New products have already been developed within Culp's global manufacturing platform, and inventory is being prepared for product launches. We believe eLuxury will enhance our strong value proposition, and we expect to see favorable growth trends from this new business category as we move into the second half of fiscal 2019.

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“Looking ahead, we see ongoing challenges in the mattress industry that will continue to affect short-term demand trends and our operating performance. While we were pleased to see the anti-dumping petition approved, and we are beginning to see some positive developments, it is uncertain when demand trends will return to more normal levels. We believe the expected punitive measures against Chinese importers will ultimately benefit our customers and our business. Once this uncertainty is behind us, we expect our mattress fabrics sales and operating performance will improve during the fourth quarter of this fiscal year. In spite of the challenges we are facing, we have a solid core business and a strong competitive position across all product categories from fabric to sewn covers. We look forward to the opportunities ahead to expand our market reach with complementary products and new sales channels, especially as the mattress industry begins to stabilize,” said Culp.

Upholstery Fabrics Segment

Sales for this segment were \$35.0 million for the second quarter, compared with sales of \$32.1 million in the second quarter of fiscal 2018.

“We are pleased with our upholstery fabrics sales performance for the second quarter, as we met our expectations with a solid 9.1 percent growth over the second quarter last year,” noted Boyd Chumbley, president of Culp’s upholstery fabrics division. “These results reflect our ability to offer creative designs and a wide array of innovative products to a diverse customer base, with higher sales to customers in both the residential and hospitality markets. Importantly, these trends reflect a meaningful contribution from RWP in the hospitality market. We are excited about the additional growth opportunities for our expanded offering of window treatments. We had another successful showing at the October furniture market, which, for the first time, had a hospitality section where we featured our complete line of products, including window treatments. Our ‘performance’ line of fabrics was again well received at this market, and we continue to see favorable demand trends and strong placements with customers. Additionally, our LiveSmart® performance fabrics were recently featured on The Learning Channel (TLC) television program, ‘Make This Place Your Home.’ Our product-driven strategy and ability to reach more customers and new end-user markets are distinct competitive advantages for Culp in today’s global marketplace.

“Our operating performance for the second quarter of fiscal 2019 was also in line with expectations. We were able to benefit from a more favorable currency exchange rate in China. However, this gain was partially offset by the unfavorable impact of tariffs implemented during the quarter. With the closure of our Anderson, South Carolina, operation early in the second quarter, we incurred approximately \$270,000 in restructuring and related costs. Notably, we sold the related equipment for approximately \$1.3 million, and we are actively pursuing the sale of the physical plant.

“Looking ahead, the potential for additional tariffs in 2019 and associated geopolitical risks remains uncertain. We continue to monitor the situation and the related impact on Culp’s business, and if additional tariffs are implemented, we will determine an appropriate response. Despite these uncertainties, we believe Culp is well positioned to benefit from any uptick in demand for home furnishings and more stable market conditions,” added Chumbley.

Balance Sheet

“Despite the headwinds we are facing in the mattress fabrics business, we have maintained a strong financial position through the first half of fiscal 2019, generating \$6.6 million in cash flow from operations. We reported \$41.5 million in total cash and investments and no debt as of October 28, 2018,” added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. “During the first six months of this fiscal year, we have spent \$3.5 million on capital expenditures, including vendor financed payments, funded \$12.1 million for acquisition-related expenses and returned \$3.1 million to shareholders in regular dividends and share repurchases.”

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Dividends and Share Repurchases

The company also announced that the board of directors approved an 11 percent increase in the company's quarterly cash dividend from \$0.09 to \$0.10 per share, or \$0.40 per share on an annualized basis, marking the seventh increase in the annual dividend amount since the first quarter of fiscal 2014. This payment will be made on January 16, 2019, to shareholders of record as of January 2, 2019. Future dividend payments are subject to board approval and may be adjusted at the board's discretion as business needs or market conditions change.

The company repurchased approximately 37,000 shares during the first six months of fiscal 2019, leaving \$4.2 million available under the share repurchase program approved by the board in June 2016.

Since June 2011, the company has returned approximately \$60 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

Financial Outlook

Commenting on the outlook for the third quarter of fiscal 2019, Bowling remarked, "We expect overall sales to be down approximately seven percent compared with the third quarter of last year.

"We expect sales, operating income and margins in our mattress fabrics segment to show sequential improvement over the second quarter, but to be significantly lower than the third quarter of fiscal 2018, due primarily to the continued significant growth in Chinese imported mattresses. Assuming the bedding industry relief materializes under U.S. trade laws, we expect to see more normalized trends during the fourth quarter of fiscal 2019 that are more in line with the prior year.

"In our upholstery fabrics segment, we expect sales to be slightly up compared with a strong third quarter last year due to the timing of the Chinese New Year. Operating income and margins are also expected to be slightly up compared with the same period a year ago. However, our projections are contingent upon any potential additional tariffs that could be imposed effective January 1, 2019, and could therefore affect our operating costs.

"Considering these factors, the company expects to report pre-tax income for the third fiscal quarter of 2019 in the range of \$4.6 million to \$5.4 million, excluding any restructuring and related charges and credits and other non-recurring charges. Pre-tax income for last year's third quarter was \$7.5 million. Our performance for the fourth quarter of fiscal 2019 is currently expected to be more in line with the results achieved during the fourth quarter of last fiscal year.

"Based on our current budget, capital expenditures for fiscal 2019 are now expected to be in the \$6.0 million to \$6.5 million range, as we have moved to a more maintenance level of capital expenditures. Additionally, given the strong free cash flow achieved in the second quarter and the current outlook, free cash flow for fiscal 2019 is expected to be improved over last year's results, even with the significant headwinds we are facing in our mattress fabrics segment," 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. 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. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact due to new information, future events or otherwise. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, 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 measures, as well as any statements regarding potential acquisitions, future economic or industry trends or future developments. 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, as well as our success in finalizing acquisition negotiations and integrating acquired businesses into our existing operations. 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. 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. 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 13, 2018 for the fiscal year ended April 29, 2018.

-MORE-

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 28, 2018	October 29, 2017	October 28, 2018	October 29, 2017
Net sales	\$ 77,006,000	\$ 80,698,000	\$ 148,479,000	\$ 160,230,000
Income before income taxes	\$ 4,275,000	\$ 6,159,000	\$ 6,223,000	\$ 12,900,000
Net income attributable to Culp, Inc.	\$ 2,933,000	\$ 3,976,000	\$ 3,890,000	\$ 8,959,000
Net income per share:				
Basic	\$ 0.23	\$ 0.32	\$ 0.31	\$ 0.72
Diluted	\$ 0.23	\$ 0.32	\$ 0.31	\$ 0.71
Average shares outstanding:				
Basic	12,515,000	12,440,000	12,512,000	12,420,000
Diluted	12,551,000	12,580,000	12,612,000	12,613,000

Summary of Cash and Investments
October 28, 2018, October 29, 2017, and April 29, 2018
(Unaudited)
(Amounts in Thousands)

	Amounts		
	October 28, 2018	October 29, 2017	April 29, 2018 *
Cash and cash equivalents	\$ 14,768	\$ 15,739	\$ 21,228
Short-term investments - Available for Sale	--	2,478	2,451
Short-term investments - Held-To-Maturity	26,719	4,015	25,759
Long-term investments - Held-To-Maturity	--	26,853	5,035
Total cash and investments	\$ 41,487	\$ 49,085	\$ 54,473

*Derived from audited financial statements.

-MORE-

CULP, INC.
Adjusted Consolidated Statement of Operations
For the 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 (3)	10,103	(89)	10,014
Restructuring credit (2)	(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 plant 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 \$1.1 million restructuring credit represents a \$1.1 million gain on sale of equipment, partially offset by a charge of \$63 for employee termination benefits associated with the closure of our Anderson, SC, upholstery fabrics plant facility.

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

Adjusted Consolidated Statement of Operations
For the 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	(1,995)	122,599
Gross Profit	23,885	(1,995)	25,880
Selling, general, and administrative expenses (3)	18,136	(89)	18,047
Restructuring credit (2)	(610)	610	-
Income from operations	6,359	(1,474)	7,833
Interest expense	38	-	38
Interest income	(301)	-	(301)
Other expense	399	-	399
Income before income taxes	\$ 6,223	\$ (1,474)	\$ 7,697

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

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

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THREE MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

		THREE MONTHS ENDED				
		Amounts			Percent of Sales	
		October 28, 2018	October 29, 2017	% Over (Under)	October 28, 2018	October 29, 2017
Net sales	\$	77,006	80,698	(4.6)%	100.0%	100.0%
Cost of sales	(1)(3)(4)	63,680	64,894	(1.9)%	82.7%	80.4%
Gross profit		13,326	15,804	(15.7)%	17.3%	19.6%
Selling, general and administrative expenses	(3)(4)	10,103	9,415	7.3%	13.1%	11.7%
Restructuring credit	(2)(4)	(1,061)	-	(100.0)%	(1.4)%	0.0%
Income from operations		4,284	6,389	(32.9)%	5.6%	7.9%
Interest expense		18	37	(51.4)%	0.0%	0.0%
Interest income		(151)	(128)	18.0%	(0.2)%	(0.2)%
Other expense		142	321	(55.8)%	0.2%	0.4%
Income before income taxes		4,275	6,159	(30.6)%	5.6%	7.6%
Income taxes*		1,276	2,108	(39.5)%	29.8%	34.2%
Loss from investment in unconsolidated joint venture		55	75	(26.7)%	0.1%	0.1%
Net income		2,944	3,976	(26.0)%	3.8%	4.9%
Less: Net income attributable to non-controlling interest		(11)	-	(100.0)%	(0.0)%	0.0%
Net income attributable to Culp Inc. common shareholders	\$	2,933	3,976	(26.2)%	3.8%	4.9%
Net income attributable to Culp Inc. common shareholders per share - basic	\$	0.23	\$ 0.32	(28.1)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$	0.23	\$ 0.32	(28.1)%		
Average shares outstanding-basic		12,515	12,440	0.6%		
Average shares outstanding-diluted		12,551	12,580	(0.2)%		

* 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 plant 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 plant 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 \$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 statement of operations that exclude our restructuring credit and restructuring related charges associated with our upholstery fabrics segment and non-recurring charges associated with our mattress fabrics segment for the three-month period ending October 28, 2018. There were no restructuring activities or non-recurring charges associated with our mattress fabrics segment noted for the three-month period ending October 29, 2017.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR SIX MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

		SIX MONTHS ENDED				
		Amounts			Percent of Sales	
		October 28, 2018	October 29, 2017	% Over (Under)	October 28, 2018	October 29, 2017
Net sales	\$	148,479	160,230	(7.3)%	100.0%	100.0%
Cost of sales	(1)(3)(4)	124,594	127,962	(2.6)%	83.9%	79.9%
Gross profit		23,885	32,268	(26.0)%	16.1%	20.1%
Selling, general and administrative expenses	(3)(4)	18,136	18,916	(4.1)%	12.2%	11.8%
Restructuring credit	(2)(4)	(610)	-	(100.0)%	(0.4)%	0.0%
Income from operations		6,359	13,352	(52.4)%	4.3%	8.3%
Interest expense		38	37	2.7%	0.0%	0.0%
Interest income		(301)	(259)	16.2%	(0.2)%	(0.2)%
Other expense		399	674	(40.8)%	0.3%	0.4%
Income before income taxes		6,223	12,900	(51.8)%	4.2%	8.1%
Income taxes*		2,182	3,748	(41.8)%	35.1%	29.1%
Loss from investment in unconsolidated joint venture		132	193	(31.6)%	0.1%	0.1%
Net income		3,909	8,959	(56.4)%	2.6%	5.6%
Less: Net income attributable to non-controlling interest		(19)	-	(100.0)%	(0.0)%	0.0%
Net income attributable to Culp Inc. common shareholders	\$	3,890	8,959	(56.6)%	2.6%	5.6%
Net income attributable to Culp Inc. common shareholders per share - basic	\$	0.31	\$ 0.72	(56.9)%		
Net income attributable to Culp Inc. common shareholders per share - diluted	\$	0.31	\$ 0.71	(56.3)%		
Average shares outstanding-basic		12,512	12,420	0.7%		
Average shares outstanding-diluted		12,612	12,613	(0.0)%		

* 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 operating costs associated with our closed upholstery fabrics plant facility located in Anderson, SC.
- (2) The \$610 restructuring credit 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 plant 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 \$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 statement of operations that exclude our restructuring credit and restructuring related charges associated with our upholstery fabrics segment and non-recurring charges associated with our mattress fabrics segment for the three-month period ending October 28, 2018. There were no restructuring activities or non-recurring charges associated with our mattress fabrics segment noted for the three-month period ending October 29, 2017.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
OCTOBER 28, 2018, OCTOBER 29, 2017 AND APRIL 29, 2018

Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		Increase		* April 29, 2018
	(Condensed)		(Decrease)		
	<u>October 28,</u> <u>2018</u>	<u>October 29,</u> <u>2017</u>	<u>Dollars</u>	<u>Percent</u>	
Current assets					
Cash and cash equivalents	\$ 14,768	15,739	(971)	(6.2)%	21,228
Short-term investments - Available for Sale	-	2,478	(2,478)	(100.0)%	2,451
Short-term investments - Held-To-Maturity	26,719	4,015	22,704	565.5%	25,759
Accounts receivable	24,362	24,220	142	0.6%	26,307
Inventories	50,601	50,209	392	0.8%	53,454
Assets held for sale	237	-	237	100.0%	-
Other current assets	2,461	2,263	198	8.7%	2,870
Total current assets	<u>119,148</u>	<u>98,924</u>	<u>20,224</u>	<u>20.4%</u>	<u>132,069</u>
Property, plant & equipment, net	51,325	52,530	(1,205)	(2.3)%	51,794
Goodwill	27,222	11,462	15,760	137.5%	13,569
Intangible assets	10,636	1,428	9,208	644.8%	4,275
Deferred income taxes	3,614	491	3,123	636.0%	1,458
Long-term Investments - Held-To-Maturity	-	26,853	(26,853)	(100.0)%	5,035
Long-term Investments - Rabbi Trust	7,851	6,921	930	13.4%	7,326
Investment in unconsolidated joint venture	1,470	1,522	(52)	(3.4)%	1,501
Other assets	945	912	33	3.6%	957
Total assets	<u>\$ 222,211</u>	<u>201,043</u>	<u>21,168</u>	<u>10.5%</u>	<u>217,984</u>
Current liabilities					
Accounts payable - trade	\$ 24,007	24,600	(593)	(2.4)%	27,237
Accounts payable - capital expenditures	114	3,209	(3,095)	(96.4)%	1,776
Deferred revenue	649	-	649	100.0%	809
Accrued expenses	8,670	7,364	1,306	17.7%	9,325
Accrued restructuring costs	260	-	260	100.0%	-
Deferred compensation	714	-	714	100.0%	-
Income taxes payable - current	2,044	692	1,352	195.4%	1,437
Total current liabilities	<u>36,458</u>	<u>35,865</u>	<u>593</u>	<u>1.7%</u>	<u>40,584</u>
Accrued expenses - long-term	-	-	-	0.0%	763
Contingent consideration - Earn-Out Obligation	5,706	-	5,706	100.0%	-
Income taxes payable - long-term	3,233	487	2,746	563.9%	3,758
Deferred income taxes	2,225	4,641	(2,416)	(52.1)%	2,150
Deferred compensation	7,120	6,970	150	2.2%	7,353
Total liabilities	<u>54,742</u>	<u>47,963</u>	<u>6,779</u>	<u>14.1%</u>	<u>54,608</u>
Shareholders' equity					
Shareholders' equity attributable to Culp Inc.	162,918	153,080	9,838	6.4%	163,376
Non-controlling interest	4,551	-	4,551	100.0%	-
Total liabilities and shareholders' equity	<u>\$ 222,211</u>	<u>201,043</u>	<u>21,168</u>	<u>10.5%</u>	<u>217,984</u>
Shares outstanding	<u>12,492</u>	<u>12,435</u>	<u>57</u>	<u>0.5%</u>	<u>12,450</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
SUMMARY OF CASH AND INVESTMENTS
OCTOBER 28, 2018, OCTOBER 29, 2017, AND APRIL 29, 2018
Unaudited
(Amounts in Thousands)

	Amounts		
	October 28, 2018	October 29, 2017	April 29, 2018*
Cash and cash equivalents	\$ 14,768	\$ 15,739	\$ 21,228
Short-term investments - Available for Sale	-	2,478	2,451
Short-term investments - Held-To-Maturity	26,719	4,015	25,759
Long-term investments - Held-To-Maturity	-	26,853	5,035
Total Cash and Investments	\$ 41,487	\$ 49,085	\$ 54,473

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017

Unaudited
(Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	October 28, 2018	October 29, 2017
Cash flows from operating activities:		
Net income	\$ 3,909	8,959
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,056	3,713
Amortization	391	166
Stock-based compensation	(106)	1,558
Deferred income taxes	(2,081)	976
Realized loss on sale of short-term investments (Available for Sale)	94	-
Gain on sale of equipment	(1,079)	-
Loss from investment in unconsolidated joint venture	132	193
Foreign currency exchange gain (loss)	(102)	42
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Accounts receivable	1,639	561
Inventories	3,767	1,597
Other current assets	379	723
Other assets	(10)	(35)
Accounts payable	(3,264)	(5,074)
Deferred revenue	(160)	-
Accrued expenses and deferred compensation	(1,472)	(3,607)
Accrued restructuring costs	260	-
Income taxes	247	406
Net cash provided by operating activities	<u>6,600</u>	<u>10,178</u>
Cash flows from investing activities:		
Net cash paid for acquisition of businesses	(12,096)	-
Capital expenditures	(2,096)	(4,978)
Proceeds from the sale of equipment	1,280	6
Investment in unconsolidated joint venture	(100)	(609)
Proceeds from the sale of short-term investments (Held to Maturity)	4,000	-
Proceeds from the sale of short-term investments (Available for Sale)	2,458	-
Purchase of short-term investments (Available for Sale)	(10)	(24)
Proceeds from the sale of long-term investments (Rabbi Trust)	-	54
Purchase of long-term investments (Rabbi Trust)	(526)	(1,457)
Net cash used in investing activities	<u>(7,090)</u>	<u>(7,008)</u>
Cash flows from financing activities:		
Proceeds from line of credit	12,000	10,000
Payments on line of credit	(12,000)	(10,000)
Payments on vendor-financed capital expenditures	(1,412)	(2,500)
Dividends paid	(2,253)	(4,603)
Common stock surrendered for withholding taxes payable	(1,292)	(1,147)
Common stock repurchased	(844)	-
Proceeds from common stock issued	-	5
Net cash used in financing activities	<u>(5,801)</u>	<u>(8,245)</u>
Effect of exchange rate changes on cash and cash equivalents	(169)	19
Decrease in cash and cash equivalents	(6,460)	(5,056)
Cash and cash equivalents at beginning of period	<u>21,228</u>	<u>20,795</u>
Cash and cash equivalents at end of period	<u>\$ 14,768</u>	<u>15,739</u>
Free Cash Flow (1)	<u>\$ 3,577</u>	<u>713</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2019	FY 2018
A) Net cash provided by operating activities	<u>\$ 6,600</u>	<u>10,178</u>

B) Minus: Capital Expenditures	(2,096)	(4,978)
C) Plus: Proceeds from the sale of equipment	1,280	6
D) Minus: Investment in unconsolidated joint venture	(100)	(609)
E) Minus: Payments on vendor-financed capital expenditures	(1,412)	(2,500)
F) Plus: Proceeds from the sale of long-term investments (Rabbi Trust)	-	54
G) Minus: Purchase of long-term investments (Rabbi Trust)	(526)	(1,457)
H) Effects of exchange rate changes on cash and cash equivalents	(169)	19
	<u>\$ 3,577</u>	<u>713</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(Unaudited)
(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	October 28, 2018	October 29, 2017	% Over (Under)	October 28, 2018	October 29, 2017
Net Sales by Segment					
Mattress Fabrics	\$ 41,989	48,601	(13.6)%	54.5%	60.2%
Upholstery Fabrics	35,017	32,097	9.1%	45.5%	39.8%
Net Sales	<u>\$ 77,006</u>	<u>80,698</u>	<u>(4.6)%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
			Gross Profit Margin		
Mattress Fabrics	\$ 7,498	9,730	(22.9)%	17.9%	20.0%
Upholstery Fabrics	6,257	6,074	3.0%	17.9%	18.9%
Subtotal	<u>13,755</u>	<u>15,804</u>	<u>(13.0)%</u>	<u>17.9%</u>	<u>19.6%</u>
Other non-recurring charges	(1) (159)	-	(100.0)%	(0.2)%	0.0%
Restructuring related charges	(1) (270)	-	(100.0)%	(0.4)%	0.0%
Gross Profit	<u>13,326</u>	<u>15,804</u>	<u>(15.7)%</u>	<u>17.3%</u>	<u>19.6%</u>
Selling, General and Administrative Expenses by Segment					
			Percent of Sales		
Mattress Fabrics	\$ 4,566	3,168	44.1%	10.9%	6.5%
Upholstery Fabrics	3,535	3,700	(4.5)%	10.1%	11.5%
Subtotal	<u>8,101</u>	<u>6,868</u>	<u>18.0%</u>	<u>10.5%</u>	<u>8.5%</u>
Other non-recurring charges	(1) 89	-	100.0%	0.1%	0.0%
Unallocated Corporate expenses	1,913	2,547	(24.9)%	2.5%	3.2%
Selling, General and Administrative Expenses	<u>\$ 10,103</u>	<u>9,415</u>	<u>7.3%</u>	<u>13.1%</u>	<u>11.7%</u>
Operating Income (loss) by Segment					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 2,932	6,562	(55.3)%	7.0%	13.5%
Upholstery Fabrics	2,722	2,374	14.7%	7.8%	7.4%
Subtotal	<u>\$ 5,654</u>	<u>8,936</u>	<u>(36.7)%</u>	<u>7.3%</u>	<u>11.1%</u>
Unallocated corporate expenses	(1) (1,913)	(2,547)	(24.9)%	(2.5)%	(3.2)%
Other non-recurring charges	(1) (248)	-	(100.0)%	(0.3)%	0.0%
Restructuring credit and related charges	(1) 791	-	100.0%	1.0%	0.0%
Operating income	<u>4,284</u>	<u>6,389</u>	<u>(32.9)%</u>	<u>5.6%</u>	<u>7.9%</u>
Depreciation Expense by Segment					
Mattress Fabrics	\$ 1,844	1,698	8.6%		
Upholstery Fabrics	197	207	(4.8)%		
Depreciation Expense	<u>\$ 2,041</u>	<u>1,905</u>	<u>7.1%</u>		

Notes

(1) See page 8 for detailed description of charges.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE SIX MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(Unaudited)
(Amounts in thousands)

	SIX MONTHS ENDED				
	Amounts			Percent of Total Sales	
	October 28, 2018	October 29, 2017	% Over (Under)	October 28, 2018	October 29, 2017
Net Sales by Segment					
Mattress Fabrics	\$ 78,972	97,030	(18.6)%	53.2%	60.6%
Upholstery Fabrics	69,507	63,200	10.0%	46.8%	39.4%
Net Sales	<u>\$ 148,479</u>	<u>160,230</u>	<u>(7.3)%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
Gross Profit Margin					
Mattress Fabrics	\$ 13,470	19,495	(30.9)%	17.1%	20.1%
Upholstery Fabrics	12,410	12,773	(2.8)%	17.9%	20.2%
Subtotal	<u>25,880</u>	<u>32,268</u>	<u>(19.8)%</u>	<u>17.4%</u>	<u>20.1%</u>
Other non-recurring charges	(1) (159)	-	(100.0)%	(0.1)%	0.0%
Restructuring related charges	(1) (1,836)	-	(100.0)%	(1.2)%	0.0%
Gross Profit	<u>23,885</u>	<u>32,268</u>	<u>(26.0)%</u>	<u>16.1%</u>	<u>20.1%</u>
Selling, General and Administrative Expenses by Segment					
Percent of Sales					
Mattress Fabrics	\$ 7,714	6,559	17.6%	9.8%	6.8%
Upholstery Fabrics	7,161	7,511	(4.7)%	10.3%	11.9%
Subtotal	<u>14,875</u>	<u>14,070</u>	<u>5.7%</u>	<u>10.0%</u>	<u>8.8%</u>
Other non-recurring charges	(1) 89	-	100.0%	0.1%	0.0%
Unallocated Corporate expenses	3,172	4,846	(34.5)%	2.1%	3.0%
Selling, General and Administrative Expenses	<u>\$ 18,136</u>	<u>18,916</u>	<u>(4.1)%</u>	<u>12.2%</u>	<u>11.8%</u>
Operating Income (loss) by Segment					
Operating Income (Loss) Margin					
Mattress Fabrics	\$ 5,755	12,936	(55.5)%	7.3%	13.3%
Upholstery Fabrics	5,249	5,262	(0.2)%	7.6%	8.3%
Subtotal	<u>\$ 11,004</u>	<u>18,198</u>	<u>(39.5)%</u>	<u>7.4%</u>	<u>11.4%</u>
Unallocated corporate expenses	(3,172)	(4,846)	(34.5)%	(2.1)%	(3.0)%
Other non-recurring charges	(1) (248)	-	(100.0)%	(0.2)%	0.0%
Restructuring credit and related charges	(1) (1,225)	-	(100.0)%	(0.8)%	0.0%
Operating income	<u>6,359</u>	<u>13,352</u>	<u>(52.4)%</u>	<u>4.3%</u>	<u>8.3%</u>
Return on Capital (2)					
Mattress Fabrics	23.6%	37.3%			
Upholstery Fabrics	56.5%	60.5%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>18.4%</u>	<u>27.0%</u>			
Capital Employed (2) (3)					
Mattress Fabrics	\$ 79,947	78,476	1.9%		
Upholstery Fabrics	17,796	17,749	0.3%		
Unallocated Corporate	32,110	13,148	144.2%		
Consolidated	<u>\$ 129,853</u>	<u>109,373</u>	<u>18.7%</u>		
Depreciation Expense by Segment					
Mattress Fabrics	\$ 3,644	3,310	10.1%		

Upholstery Fabrics
Depreciation Expense

<u>412</u>	<u>403</u>	<u>2.2%</u>
<u>\$ 4,056</u>	<u>3,713</u>	<u>9.2%</u>

Notes

- (1) See page 9 for detailed description of charges.
 - (2) See pages 11 and 12 of this financial information release for calculations.
 - (3) The capital employed balances are as of October 28, 2018 and October 29, 2017.
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CULP, INC.
ADJUSTED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)

THREE MONTHS ENDED

	As Reported		Adjustments	October 28, 2018		(4) As Reported		% Over	
	October 28, 2018	% of Sales		Adjusted Results	% of Sales	October 29, 2017	% of Sales		
Net sales	\$ 77,006	100.0%	-	0.0%	77,006	100.0%	80,698	100.0%	-4.6%
Cost of sales	63,680	82.7%	(429)	-0.6%	63,251	82.1%	64,894	80.4%	-2.5%
Gross profit	13,326	17.3%	(429)	-0.6%	13,755	17.9%	15,804	19.6%	-13.0%
Selling, general and administrative expenses	10,103	13.1%	(89)	-0.1%	10,014	13.0%	9,415	11.7%	6.4%
Restructuring credit	(1,061)	-1.4%	1,061	1.4%	-	0.0%	-	0.0%	0.0%
Income from operations	4,284	5.6%	543	0.7%	3,741	4.9%	6,389	7.9%	-41.4%
Interest expense	18	0.0%	-	0.0%	18	0.0%	37	0.0%	-51.4%
Interest income	(151)	-0.2%	-	0.0%	(151)	-0.2%	(128)	-0.2%	18.0%
Other expense	142	0.2%	-	0.0%	142	0.2%	321	0.4%	-55.8%
Income before income taxes	4,275	5.6%	543	0.7%	3,732	4.8%	6,159	7.6%	-39.4%

Notes

- (1) The \$429 represents a restructuring related charge of \$270 for other operating costs associated with our closed Anderson, SC upholstery fabrics plant 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 \$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 plant facility.
- (3) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (4) Actual reported results were used for comparative purposes as there were no restructuring activities or non-recurring charges associated with our mattress fabrics segment for the three-month period ending October 29, 2017.

CULP, INC.
ADJUSTED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)

SIX MONTHS ENDED

	As Reported		Adjustments	October 28, 2018		(4) As Reported		% Over	
	October 28, 2018	% of Sales		Adjusted Results	% of Sales	October 29, 2017	% of Sales		
Net sales	\$ 148,479	100.0%	-	0.0%	148,479	100.0%	160,230	100.0%	-7.3%
Cost of sales	124,594	83.9%	(1,995)	-1.3%	122,599	82.6%	127,962	79.9%	-4.2%
Gross profit	23,885	16.1%	(1,995)	-1.3%	25,880	17.4%	32,268	20.1%	-19.8%
Selling, general and administrative expenses	18,136	12.2%	(89)	-0.1%	18,047	12.2%	18,916	11.8%	-4.6%
Restructuring credit	(610)	-0.4%	610	0.4%	-	0.0%	-	0.0%	0.0%
Income from operations	6,359	4.3%	(1,474)	-1.0%	7,833	5.3%	13,352	8.3%	-41.3%
Interest expense	38	0.0%	-	0.0%	38	0.0%	37	0.0%	2.7%
Interest income	(301)	-0.2%	-	0.0%	(301)	-0.2%	(259)	-0.2%	16.2%
Other expense	399	0.3%	-	0.0%	399	0.3%	674	0.4%	-40.8%
Income before income taxes	6,223	4.2%	(1,474)	-1.0%	7,697	5.2%	12,900	8.1%	-40.3%

Notes

- (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 plant upholstery fabrics plant facility and \$159 for employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (2) The \$610 restructuring credit 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 plant facility.
- (3) The \$89 represents employee termination benefits and other operational reorganization costs associated with our mattress fabrics segment.
- (4) Actual reported results were used for comparative purposes as there were no restructuring activities or non-recurring charges associated with our mattress fabrics segment for the six-month period ending October 29, 2017.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12
	1/28/2018	4/29/2018	7/29/2018	10/28/2018	Months 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 (credit) 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>

	Quarter Ended				Trailing 12
	1/29/2017	4/30/2017	7/30/2017	10/29/2017	Months 10/29/2017
Net income	\$ 6,347	\$ 6,198	\$ 4,984	\$ 3,976	\$ 21,505
Income taxes	643	778	1,640	2,108	5,169
Interest income, net	(124)	(134)	(131)	(91)	(480)
Other non-recurring charges	-	-	-	-	-
Restructuring expense (credit) and related charges	-	-	-	-	-
Depreciation and amortization expense	1,875	1,863	1,889	1,990	7,617
Stock based compensation	962	739	757	801	3,259
Adjusted EBITDA	<u>\$ 9,703</u>	<u>\$ 9,444</u>	<u>\$ 9,139</u>	<u>\$ 8,784</u>	<u>\$ 37,070</u>
% Over (Under)	<u>5.9%</u>	<u>-13.0%</u>	<u>-40.7%</u>	<u>-29.1%</u>	<u>-18.7%</u>

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 October 28, 2018 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 18,680	\$ 79,006	23.6%
Upholstery Fabrics	10,940	19,372	56.5%
(less: Unallocated Corporate)	(7,680)	21,083	N/A
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	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 91,697	37,442	93,072	222,211	\$ 98,064	37,386	90,922	226,372	\$ 95,061	39,812	83,111	217,984
Total liabilities (5)	(11,750)	(19,646)	(23,346)	(54,742)	(14,593)	(17,880)	(27,869)	(60,342)	(17,335)	(18,679)	(18,594)	(54,608)
Subtotal	\$ 79,947	\$ 17,796	\$ 69,726	\$ 167,469	\$ 83,471	\$ 19,506	\$ 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	\$ 79,947	\$ 17,796	\$ 32,110	\$ 129,853	\$ 83,471	\$ 19,506	\$ 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	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	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 - Rabbi Trust	-	-	(7,176)	(7,176)	-	-	(6,921)	(6,921)
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

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 79,006	\$ 19,372	\$ 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 receivable and payable, line of credit, and current and noncurrent deferred compensation.
 - (3) Average capital employed was computed using the quarterly five 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 both our mattress fabrics and upholstery fabrics segments.
 - (5) Accrued restructuring costs and certain obligations associated with our acquisitions are included in unallocated coporate for all periods presented and therefore, have no affect on capital employed and return on capital employed for both our mattress fabrics and upholstery fabrics segments.
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CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED OCTOBER 29, 2017
(Amounts in Thousands)
(Unaudited)

	Operating Income Twelve Months Ended October 29, 2017 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 26,450	\$ 70,822	37.3%
Upholstery Fabrics	10,879	17,973	60.5%
(less: Unallocated Corporate)	(9,871)	12,787	N/A
Total	\$ 27,458	\$ 101,583	27.0%

Average Capital Employed	As of the three Months Ended October 29, 2017				As of the three Months Ended July 30, 2017				As of the three Months Ended April 30, 2017			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 94,626	34,974	71,443	\$ 201,043	\$ 99,190	34,491	74,223	\$ 207,904	\$ 98,087	\$ 32,255	\$ 75,292	\$ 205,634
Total liabilities	(16,150)	(17,225)	(14,588)	(47,963)	(24,277)	(14,983)	(18,967)	(58,227)	(27,619)	(16,249)	(13,136)	(57,004)
Subtotal	\$ 78,476	\$ 17,749	\$ 56,855	\$ 153,080	\$ 74,913	\$ 19,508	\$ 55,256	\$ 149,677	\$ 70,468	\$ 16,006	\$ 62,156	\$ 148,630
Less:												
Cash and cash equivalents	-	-	(15,739)	(15,739)	-	-	(18,322)	(18,322)	-	-	(20,795)	(20,795)
Short-term investments - Available-For-Sale	-	-	(2,478)	(2,478)	-	-	(2,469)	(2,469)	-	-	(2,443)	(2,443)
Short-term investments - Held-To-Maturity	-	-	(4,015)	(4,015)	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	(26,853)	(26,853)	-	-	(30,907)	(30,907)	-	-	(30,945)	(30,945)
Long-term investments - Rabbi Trust	-	-	(6,921)	(6,921)	-	-	(6,714)	(6,714)	-	-	(5,466)	(5,466)
Income taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	(491)	(491)	-	-	(436)	(436)	-	-	(419)	(419)
Income taxes payable - current	-	-	692	692	-	-	884	884	-	-	287	287
Income taxes payable - long-term	-	-	487	487	-	-	487	487	-	-	467	467
Deferred income taxes - non-current	-	-	4,641	4,641	-	-	4,253	4,253	-	-	3,593	3,593
Line of credit	-	-	-	-	-	-	5,000	5,000	-	-	-	-
Deferred compensation	-	-	6,970	6,970	-	-	6,769	6,769	-	-	5,520	5,520
Total Capital Employed	\$ 78,476	\$ 17,749	\$ 13,148	\$ 109,373	\$ 74,913	\$ 19,508	\$ 13,801	\$ 108,222	\$ 70,468	\$ 16,006	\$ 11,955	\$ 98,429

	As of the three Months Ended January 29, 2017				As of the three Months Ended October 30, 2016			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 90,197	\$ 30,380	\$ 70,479	\$ 191,056	\$ 81,683	\$ 29,361	\$ 68,083	\$ 179,127
Total liabilities	(23,126)	(11,960)	(13,656)	(48,742)	(18,499)	(11,180)	(13,499)	(43,178)
Subtotal	\$ 67,071	\$ 18,420	\$ 56,823	\$ 142,314	\$ 63,184	\$ 18,181	\$ 54,584	\$ 135,949
Less:								
Cash and cash equivalents	-	-	(15,659)	(15,659)	-	-	(13,910)	(13,910)
Short-term investments - Available-For-Sale	-	-	(2,410)	(2,410)	-	-	(2,430)	(2,430)
Short-term investments - Held-To-Maturity	-	-	-	-	-	-	-	-
Long-term investments - Held-To-Maturity	-	-	(30,832)	(30,832)	-	-	(31,050)	(31,050)
Long-term investments - Rabbi Trust	-	-	(5,488)	(5,488)	-	-	(4,994)	(4,994)
Income taxes receivable	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	(422)	(422)	-	-	(581)	(581)
Income taxes payable - current	-	-	217	217	-	-	513	513
Income taxes payable - long-term	-	-	1,817	1,817	-	-	3,734	3,734
Deferred income taxes - non-current	-	-	2,924	2,924	-	-	1,699	1,699
Line of credit	-	-	-	-	-	-	-	-
Deferred compensation	-	-	5,327	5,327	-	-	5,171	5,171
Total Capital Employed	\$ 67,071	\$ 18,420	\$ 12,297	\$ 97,788	\$ 63,184	\$ 18,181	\$ 12,736	\$ 94,101

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 70,822	\$ 17,973	\$ 12,787	\$ 101,583

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 29, 2017, 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 receivable and payable, line of credit, and noncurrent deferred compensation.

- (3) Average capital employed was computed using the five quarterly periods ending October 29, 2017, July 30, 2017 April 30, 2017, January 29, 2017, and October 30, 2016.
- (4) Intangible assets and goodwill are included in unallocated corporate for all periods presented and therefore, have no affect on capital employed and return on capital employed for both our mattress fabrics and upholstery fabrics segments.
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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF OPERATING INCOME
FOR THE TWELVE MONTHS ENDED OCTOBER 28, 2018 AND OCTOBER 29, 2017
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	<u>Quarter Ended</u>				<u>Trailing 12</u>
	<u>1/28/2018</u>	<u>4/29/2018</u>	<u>7/29/2018</u>	<u>10/28/2018</u>	<u>Months</u>
					<u>10/28/2018</u>
Mattress Fabrics	\$ 6,837	\$ 6,088	\$ 2,823	\$ 2,932	\$ 18,680
Upholstery Fabrics	3,510	2,181	2,527	2,722	10,940
Unallocated Corporate	(2,703)	(1,805)	(1,259)	(1,913)	(7,680)
Subtotal	<u>7,644</u>	<u>6,464</u>	<u>4,091</u>	<u>3,741</u>	<u>21,940</u>
Other non-recurring charges	-	-	-	(248)	(248)
Restructuring (expense) credit and related charges	-	-	(2,016)	791	(1,225)
Operating income	<u><u>\$ 7,644</u></u>	<u><u>\$ 6,464</u></u>	<u><u>\$ 2,075</u></u>	<u><u>\$ 4,284</u></u>	<u><u>\$ 20,467</u></u>

	<u>Quarter Ended (1)</u>				<u>(1)</u>
	<u>1/29/2017</u>	<u>4/30/2017</u>	<u>7/30/2017</u>	<u>10/29/2017</u>	<u>Trailing 12</u>
					<u>Months</u>
Mattress Fabrics	\$ 6,367	\$ 7,153	\$ 6,368	\$ 6,562	\$ 26,450
Upholstery Fabrics	3,100	2,510	2,895	2,374	10,879
Unallocated Corporate	(2,532)	(2,493)	(2,299)	(2,547)	(9,871)
Operating income	<u>\$ 6,935</u>	<u>\$ 7,170</u>	<u>\$ 6,964</u>	<u>\$ 6,389</u>	<u>\$ 27,458</u>
% Over (Under)	<u><u>10.2%</u></u>	<u><u>-9.8%</u></u>	<u><u>-70.2%</u></u>	<u><u>-32.9%</u></u>	<u><u>-25.5%</u></u>

Notes

(1) We did not have any restructuring activities or non-recurring charges associated with our mattress fabrics segment for the three-month periods ending January 29, 2017, April 30, 2017, July 30, 2017, and October 29, 2017.