

CULP

CULP, INC.

NYSE: CULP

Fourth Quarter Fiscal 2022

Summary Financial Information

June 29, 2022

FOURTH QUARTER FISCAL 2022 FINANCIAL SUMMARY

- ✦ Net sales were \$56.9 million, down 28.0 percent over the prior-year period, with mattress fabrics sales down 30.6 percent and upholstery fabrics sales down 24.8 percent compared with the fourth quarter of last year.
- ✦ Loss from operations was \$(5.4) million, as compared with income from operations of \$1.6 million for the prior-year period.
- ✦ Net loss was \$(6.0) million, or \$(0.49) per diluted share, compared with net income of \$1.5 million, or \$0.12 per diluted share, for the prior-year period. The effective tax rate for the fourth quarter of fiscal 2022 was (4.4)% and was affected by the company's mix of income between its U.S. and foreign jurisdictions during this period.
- ✦ The company's financial position as of the end of fiscal 2022 reflected total cash and investments of \$14.6 million and no outstanding borrowings.

FISCAL 2022 FULL YEAR FINANCIAL SUMMARY

- ✦ Net sales were \$294.8 million, down 1.6 percent over the prior year, with mattress fabrics sales down 3.5 percent and upholstery fabrics sales UP 0.4 percent.
- ✦ Income from operations for fiscal 2022 was \$678,000, compared with income from operations of \$12.1 million for the prior year.
- ✦ Net loss was \$(3.2) million, or \$(0.26) per diluted share, compared with net income of \$3.2 million, or \$0.26 per diluted share, for the prior year. The effective tax rate for the fiscal 2022 year was (888.0)% and was affected by the company's mix of income between its U.S. and foreign jurisdictions during this period.
- ✦ The company paid \$5.5 million in dividends and \$1.8 million for share repurchases during fiscal 2022.

LIQUIDITY UPDATE AND FINANCIAL OUTLOOK

- ✦ The company continues to navigate a convergence of headwinds, including significant inflationary pressures that are affecting consumer spending; a challenging labor market; COVID-related disruptions in China; and other geopolitical events. Although Culp remains well positioned over the long term with its product-driven strategy and flexible global platform, the current conditions are likely to continue pressuring results through at least the first half of fiscal 2023.
- ✦ On June 29, 2022, the company announced the closing of a new three-year secured credit facility with up to \$40 million in borrowing availability. This new credit facility replaces the company's prior \$30 million unsecured facility, which was scheduled to expire in August 2022.
- ✦ The company simultaneously announced that it is suspending the quarterly cash dividend on its common stock and taking other measures to preserve strong liquidity and support the company's future growth opportunities in the face of macro-economic headwinds .
- ✦ Due to the continued volatility in the macro environment, the company is providing only limited sequential financial guidance for fiscal 2023 at this time. The company's net sales for the first quarter of fiscal 2023 are expected to be comparable to the fourth quarter of fiscal 2022. While the company still expects a material consolidated operating loss (loss from operations) for the first quarter of fiscal 2023, it expects a moderate improvement as compared to the loss incurred during the fourth quarter of fiscal 2022. The company also expects its cash position as of the end of the first quarter of fiscal 2023 to be comparable to the end of fiscal 2022.
- ✦ The company's expectations are based on information available at the time of this presentation and reflect certain assumptions by management regarding the company's business and trends and the projected impact of the ongoing headwinds.

FOURTH QUARTER 2022 HIGHLIGHTS

(\$ in millions)

GAAP	Q4 FY22	Q4 FY21	Change	
			\$	%
Sales	56.9	79.1	(22.1)	(28.%)
Operating income (loss)	(5.4)	1.6	(7.0)	(428.4%)
Operating income margin	(9.5)%	2.1%		(1,160) bp
Pre-tax income (loss)	(5.8)	2.3	(8.1)	(346.4%)
Pre-tax margin	(10.1)%	3.0%		(1,310) bp
Net income (loss)	(6.0)	1.5*	(7.5)	(505.6%)
EPS per diluted share	(0.49)	0.12*	(0.61)	(511.5%)

* Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results for the three-month period ending May 1, 2021, at the back of this presentation.

FISCAL 2022 HIGHLIGHTS

(\$ in millions)

GAAP	FY22 YTD	FY21 YTD	Change	
			\$	%
Sales	294.8	299.7	(4.9)	(1.6%)
Operating income	0.7	12.1	(11.4)	(94.4%)
Operating income margin	0.2%	4.0%		(380) bp
Pre-tax income (loss)	(0.3)	10.9	(11.2)	(103.%)
Pre-tax margin	(0.1)%	3.6%		(370) bp
Net income (loss)	(3.2)	3.2*	(6.4)	(199.8%)
EPS per diluted share	(0.26)	0.26*	(0.52)	(200.4%)

* Refer also to the Reconciliation of Selected Income Statement Information to Adjusted Results for the twelve-month period ending May 1, 2021, at the back of this presentation.

Q4 SALES & OPERATING INCOME BRIDGES

(\$ in millions)

Sales	Change	
	\$	%
Q4 2021	79.1	
Mattress fabrics decrease	-13.2	-30.6%
Upholstery fabrics decrease	-9.0	-24.8%
Q4 2022	56.9	-28.0%

Operating Income	Change	
	\$	%
Q4 2021	1.6	
Mattress fabrics decrease	-5.2	-227.6%
Upholstery fabrics decrease	-2.7	-104.4%
Unallocated corporate expense decrease	0.9	-27.2%
Q4 2022	-5.4	-428.4%

Q4 YTD SALES & OPERATING INCOME BRIDGES

(\$ in millions)

Sales	Change	
	\$	%
Q4 YTD 2021	299.7	
Mattress fabrics decrease	-5.5	-3.5%
Upholstery fabrics increase	0.6	0.4%
Q4 YTD 2022	294.8	-1.6%

Operating Income	Change	
	\$	%
Q4 YTD 2021	12.1	
Mattress fabrics decrease	-7.6	-64.3%
Upholstery fabrics decrease	-6.3	-52.6%
Unallocated corporate expense decrease	2.4	-21.0%
Q4 YTD 2022	0.7	-94.4%

Q4 MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	Q4 FY22	Q4 FY21	Change	
			\$	%
Sales	29.8	42.9	-13.2	-30.6%
Operating Income (loss)	(2.9)	2.3	-5.2	-227.6%
Operating Income Margin	-9.7%	5.3%		(1,500) bp
Depreciation	1.6	1.4	0.2	10.6%

Q4 YTD MATTRESS FABRICS HIGHLIGHTS

(\$ in millions)

	Q4 FY22 YTD	Q4 FY21 YTD	Change	
			\$	%
Sales	152.2	157.7	-5.5	-3.5%
Operating Income	4.2	11.8	-7.6	-64.3%
Operating Income Margin	2.8%	7.5%		(470) bp
Depreciation	6.2	6.0	0.2	3.1%

Q4 MATTRESS FABRICS KEY POINTS

- ◆ Sales were down significantly in the fourth quarter, compared to the same period last year, primarily due to drop in demand caused by weakening domestic mattress industry sales, as well as COVID-related lockdowns in China which halted production and distribution of sewn mattress covers.
- ◆ Operating performance for the fourth quarter was significantly pressured by the rapid and material decline in revenues, causing operating inefficiencies at U.S. and Canadian facilities.
- ◆ For the full year, operating performance was also affected by higher freight, raw material, and labor costs; operating inefficiencies related to product mix within the global platform; unfavorable foreign currency exchange rate fluctuations in China and Canada; and operating inefficiencies due to labor shortages in the U.S. and Canada.
- ◆ Taking decisive actions to cut additional expenses and further maximize operating efficiencies, with a targeted annual cost savings of approximately \$2.0 million; also planning to announce additional pricing action during first quarter of fiscal 2023.
- ◆ Maintaining continued focus on product-driven strategy, with emphasis on innovation, creative designs, quality, and personalized customer service.
- ◆ Optimistic about planned new programs and product development opportunities for fiscal 2023, but industry weakness expected to continue for some period, which may reduce demand for mattress fabric and cover products and delay new product rollouts.
- ◆ Well-positioned to meet customer demand and resume growth trajectory as market conditions normalize.

Q4 UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	Q4 FY22	Q4 FY21	Change	
			\$	%
Sales	27.2	36.1	-9.0	-24.8%
Operating Income (loss)	(0.1)	2.6	-2.7	-104.4%
Operating Income Margin	-0.4%	7.2%		(770) bp
Depreciation	0.2	0.2	0.0	-1.9%

Q4 YTD UPHOLSTERY FABRICS HIGHLIGHTS

(\$ in millions)

	Q4 FY22 YTD	Q4 FY21 YTD	Change	
			\$	%
Sales	142.7	142.0	0.6	0.4%
Operating Income	5.6	11.9	-6.3	-52.6%
Operating Income Margin	3.9%	8.4%		(440) bp
Depreciation	0.8	0.8	0.0	-4.6%

Q4 UPHOLSTERY FABRICS KEY POINTS

- ◆ Sales for the fourth quarter were down significantly compared to prior-year period, primarily due to the prolonged COVID-19 related shutdowns in China.
- ◆ Top-line recovery continued in hospitality business for the fourth quarter, with higher sales for both hospitality/contract and Read Window Products business.
- ◆ Operating performance for the quarter was primarily pressured by lower sales, as well as unfavorable currency fluctuations in China, and additional employee training costs/operating inefficiencies at the new Haiti cut and sew facility as it continues to scale capacity to full planned output level.
- ◆ For the full year, operating performance also affected by higher freight and material costs, start-up costs for new Haiti facility, and a lower contribution from Read Window Products.
- ◆ Continued ramp up in production at new Haiti cut and sew facility during the fourth quarter and expanded options for fabric sourcing.
- ◆ Shutdowns that significantly curtailed China operations throughout April and May have now been lifted, although lingering constraints may continue during first quarter of fiscal 2023.
- ◆ Well-positioned for long term with sustained focus on innovative product offerings, including popular portfolio of LiveSmart® performance products, and scalable global platform, but slowdown in new retail business for residential home furnishings industry may affect demand for residential fabrics business for some period.

FREE CASH FLOW*

(\$ in millions)

	Q4 FY22 YTD	Q4 FY21 YTD
Net income	-3.2	3.2
Depreciation, amortization, & stock-based compensation	8.7	8.6
Deferred taxes, other	1.2	4.4
Gross cash flow	6.6	16.1
Cash flow from working capital and changes in other assets/liabilities	-24.1	5.3
Cash flow from operations	-17.4	21.5
Capital expenditures, including payments that are vendor financed	-5.7	-6.7
Investment in unconsolidated joint venture	0.0	-0.1
Other	-1.1	-0.3
Free cash flow	-24.3	14.4

* See reconciliation at the back of this presentation.

RETURN ON CAPITAL*

(\$ in millions)

	May 1, 2022	May 2, 2021
Return on capital:		
Mattress fabrics	5.3%	17.1%
Upholstery fabrics	29.7%	72.7%
Unallocated corporate	N/A	N/A
Consolidated	0.7%	13.8%
Ending Capital Employed:		
Mattress fabrics	\$84.0	\$75.5
Upholstery fabrics	\$25.2	\$15.2
Unallocated corporate	\$3.8	(\$0.2)
Consolidated	\$113.1	\$90.4

* See reconciliation at the back of this presentation.

ADJUSTED EBITDA

	May 1, 2022	May 2, 2021
Net (loss) income	\$ (3,211)	\$ 3,218
Income tax expense	2,886	7,693
Interest income, net	(356)	(193)
Gain on bargain purchase	—	(819)
Depreciation expense	6,994	6,846
Amortization expense	559	466
Stock based compensation	1,133	1,251
Adjusted EBITDA	\$ 8,005	\$ 18,462
% Net Sales	2.7%	6.2%

OPERATING WORKING CAPITAL

(\$ in millions)

	May 1, 2022	May 2, 2021
Accounts receivable, net	22.2	37.7
Inventories, net	66.6	55.9
Accounts payable	(20.1)	(42.5)
Accounts payable – capital expenditures	(0.5)	(0.3)
Operating working capital	68.2	50.8
Percent of sales*	23.1%	16.9%
Days sales outstanding	34.7	42.8
Inventory turns	3.1	4.8
Days accounts payable outstanding**	35.2	58

* 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.

NET CASH, INVESTMENTS, AND EQUITY

(\$ and share amounts in millions)

	Q4 FY22	Q4 FY21
Cash and cash equivalents	\$14.6	\$37.0
Short-term investments (Available for Sale)	\$0.0	\$5.6
Short-term investments (Held-to-Maturity)	\$0.0	\$3.2
Long-term investments (Held-to-Maturity)	\$0.0	\$1.1
Total cash and investments	\$14.6	\$46.9
Total debt	\$0.0	\$0.0
Net cash and investments	\$14.6	\$46.9
Shareholders' equity attributable to Culp, Inc.	\$119.5	\$129.0
Shares outstanding	12,229	12,313
Book value per share	\$9.77	\$10.48
Tangible Book value per share	\$9.56	\$10.23

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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 we will realize these expectations or meet our guidance, or that these beliefs will prove correct.

Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, 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 or political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, customers, suppliers, and the global economy, such as the 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. Increases in freight costs, labor costs, and raw material prices, including increases in market prices for petrochemical products, can also significantly affect the prices we pay for shipping, labor, and raw materials, respectively, and in turn, increase our operating costs and decrease our profitability. Finally, disruption in our customers’ supply chains for non-fabric components may cause declines in new orders and/or delayed shipping of existing orders while our customers wait for other components, which could adversely affect our financial results. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our most recent Form 10-K and Form 10-Q reports filed with the Securities and Exchange Commission. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur.

ABOUT NON-GAAP FINANCIAL INFORMATION

This presentation contains adjusted income statement information for the three-month and twelve-month periods ending May 2, 2021, which discloses adjusted net income and adjusted earnings per share, non-GAAP performance measures that eliminate items which are not expected to occur on a regular basis, including, for the periods presented, a gain on bargain purchase, the income tax effects from the gain on bargain purchase, a non-cash income tax charge in connection with the establishment of a full valuation allowance against the company's U.S. net deferred income tax assets, and a non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with the final regulations regarding the GILTI tax provisions of the Tax Cuts and Jobs Act of 2017. The company has included this adjusted information in order to show operational performance excluding the effects of such items, which are not expected to occur on a regular basis. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the back of this presentation. Management believes this presentation aids in the comparison of financial results among comparable financial periods. We note, however, that this adjusted income statement information should not be viewed in isolation or as a substitute for net income or earnings per share calculated in accordance with GAAP. In addition, the calculation of the company's income taxes involves numerous estimates and assumptions, which we have made in good faith.

This presentation contains disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash (used in) provided by operating activities, less cash capital expenditures and payments on vendor-financed capital expenditures, plus any proceeds from sale of property, plant, and equipment, less investment in unconsolidated joint venture, plus proceeds from the sale of long-term investments associated with our rabbi trust, less the purchase of long-term investments associated with our rabbi trust, and plus or minus the effects of foreign currency exchange rate changes on cash and cash equivalents, in each case to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in 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, additions to cash and investments, or other corporate purposes. We note, however, that not all of the company's free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and possible financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment, and also for making decisions about dividend payments and share repurchases.

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 income tax expense (benefit), net interest income, and a gain on bargain purchase, as well as depreciation and amortization expense, and stock-based compensation expense. This measure also excludes other non-recurring charges and credits associated with our business, if and to the extent any such amount is incurred during the period presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in this 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.

The presentation contains disclosures about return on capital for both the entire company and for individual business segments. We define return on capital as adjusted operating income (loss) (measured on a trailing twelve-month basis and excluding certain non-recurring charges and credits, if applicable for the period presented) divided by average capital employed (excluding goodwill and intangibles and obligations related to acquisitions at the divisional level only). Operating income (loss) excludes certain non-recurring charges, if applicable for the period presented, 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 at the back of this presentation. 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.

RECONCILIATION OF FREE CASH FLOW

**RECONCILIATION OF FREE CASH FLOW
FOR THE TWELVE MONTHS ENDED MAY 1, 2022,
AND MAY 2, 2021
Unaudited
(Amounts in Thousands)**

	FY 2022	FY 2021
A) Net cash (used in) provided by operating activities	\$ (17,441)	21,478
B) Minus: Capital Expenditures	(5,695)	(6,664)
C) Plus: Proceeds from the sale of equipment	—	12
D) Minus: Investment in unconsolidated joint venture	—	(90)
E) Plus: Proceeds from the sale of long-term investments (rabbi trust)	56	157
F) Minus: Purchase of long-term investments (rabbi trust)	(1,088)	(619)
G) Effects of exchange rate changes on cash and cash equivalents	(91)	131
Free Cash Flow	<u>\$ (24,259)</u>	<u>14,405</u>

Q4 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 2, 2021

Unaudited

(Amounts in Thousands, Except for Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results
Gross profit	\$ 11,797	—	\$ 11,797
Selling, general, and administrative expenses	(10,158)	—	(10,158)
Income before income taxes	\$ 2,342	(819)	\$ 1,523
Net income	\$ 1,485	(77)	\$ 1,408
Net income per share - diluted	\$ 0.12		\$ 0.11
Average shares outstanding-basic	12,310		12,310
Average shares outstanding-diluted	12,399		12,399

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling \$954,000.

(2) The \$742,000 represents the income tax effects from the gain on bargain purchase and the change in our estimated full valuation allowance applied against our U.S. net deferred income tax assets during the fourth quarter of fiscal 2021.

Q4 YTD 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 2, 2021

Unaudited

(Amounts in Thousands, Except for Per Share Data)

	As Reported May 2, 2021	Adjustments	May 2, 2021 Adjusted Results
Gross profit	\$ 49,832	—	\$ 49,832
Selling, general and administrative expenses	(37,756)	—	(37,756)
Income from operations	\$ 12,076	—	\$ 12,076
Gain on bargain purchase (1)	\$ 819	(819)	\$ -
Income before income taxes	\$ 10,880	(819)	\$ 10,061
Income tax expense (2)	(7,693)	4,852	(2,841)
Income from investment in unconsolidated joint venture	31	—	31
Net income	\$ 3,218	4,033	\$ 7,251
Net income per share - basic	\$ 0.26		\$ 0.59
Net income per share - diluted	\$ 0.26		\$ 0.59
Average shares outstanding - basic	12,300		12,300
Average shares outstanding - diluted	12,322		12,322

(1) Effective February 1, 2021, we acquired the remaining fifty percent ownership interest in our former unconsolidated joint venture located in Haiti. Pursuant to this transaction, we became the sole owner with full control over this operation. The gain on bargain purchase represents the amount of net assets acquired from this transaction that were more than the purchase price totaling \$954,000.

(2) The \$4.9 million adjustment for the year ending May 2, 2021, mostly represents an \$8.5 million non-cash income tax charge to record a full valuation allowance against the company's U.S.net deferred income tax assets, partially offset by a \$3.6 million non-cash income tax benefit resulting from the re-establishment of certain U.S. Federal net operating loss carryforwards in connection with U.S. Treasury regulations enacted during the first quarter of fiscal 2021 regarding the Global Intangible Low-Taxed Income tax provisions of the Tax Cuts and Jobs Act of 2017.

CULP, INC.
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 1, 2022
Unaudited
(Amounts in Thousands)

	Operating Income	Average Capital Employed (3)	Return on Avg. Capital Employed (2)										
	May 1, 2022 (1)												
Mattress Fabrics	\$ 4,212	\$ 80,088	5.3%										
Upholstery Fabrics	5,626	18,911	29.7%										
Unallocated Corporate	(9,160)	2,682	N.M.										
Total	\$ 678	\$ 101,681	0.7%										
Average Capital Employed	As of the three months ended May 1, 2022				As of the three months ended January 30, 2022				As of the three months ended October 31, 2021				
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	
Total assets (4)	\$ 92,609	51,124	33,830	177,563	\$ 103,370	67,272	40,925	211,567	\$ 97,390	55,862	56,073	209,325	
Total liabilities	(8,569)	(25,915)	(23,578)	(58,062)	(16,540)	(45,596)	(22,697)	(84,833)	(18,818)	(38,560)	(23,493)	(80,871)	
Subtotal	\$ 84,040	\$ 25,209	\$ 10,252	\$ 119,501	\$ 86,830	\$ 21,676	\$ 18,228	\$ 126,734	\$ 78,572	\$ 17,302	\$ 32,580	\$ 128,454	
Cash and cash equivalents	—	—	(14,550)	(14,550)	—	—	(11,780)	(11,780)	—	—	(16,956)	(16,956)	
Short-term investments - Available-For-Sale	—	—	-	0	—	—	(438)	(438)	—	—	(9,709)	(9,709)	
Short-term investments - Held-To-Maturity	—	—	-	0	—	—	(1,315)	(1,315)	—	—	(1,564)	(1,564)	
Current income taxes receivable	—	—	(857)	(857)	—	—	(367)	(367)	—	—	(613)	(613)	
Long-term investments - Held-To-Maturity	—	—	-	0	—	—	(8,677)	(8,677)	—	—	(8,353)	(8,353)	
Long-term investments - Rabbi Trust	—	—	(9,357)	(9,357)	—	—	(9,223)	(9,223)	—	—	(9,036)	(9,036)	
Deferred income taxes - non-current	—	—	(528)	(528)	—	—	(500)	(500)	—	—	(452)	(452)	
Income taxes payable - current	—	—	413	413	—	—	240	240	—	—	646	646	
Income taxes payable - long-term	—	—	3,097	3,097	—	—	3,099	3,099	—	—	3,099	3,099	
Deferred income taxes - non-current	—	—	6,004	6,004	—	—	5,484	5,484	—	—	4,918	4,918	
Deferred compensation	—	—	9,343	9,343	—	—	9,180	9,180	—	—	9,017	9,017	
Total Capital Employed	\$ 84,040	\$ 25,209	\$ 3,817	\$ 113,066	\$ 86,830	\$ 21,676	\$ 3,931	\$ 112,437	\$ 78,572	\$ 17,302	\$ 3,577	\$ 99,451	
	As of the three months August 1, 2021				As of the three months Ended May 2, 2021								
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total					
Total assets (4)	\$ 96,846	55,187	60,215	212,248	\$ 97,861	53,875	62,344	214,080					
Total liabilities	(21,298)	(39,983)	(21,418)	(82,699)	(22,410)	(38,709)	(23,955)	(85,074)					
Subtotal	\$ 75,548	\$ 15,204	\$ 38,797	\$ 129,549	\$ 75,451	\$ 15,166	\$ 38,389	\$ 129,006					
Cash and cash equivalents	—	—	(26,061)	(26,061)	—	—	(37,009)	(37,009)					
Short-term investments - Available-For-Sale	—	—	(9,698)	(9,698)	—	—	(5,542)	(5,542)					
Short-term investments - Held-To-Maturity	—	—	(1,661)	(1,661)	—	—	(3,161)	(3,161)					
Current income taxes receivable	—	—	(524)	(524)	—	—	—	—					
Long-term investments - Held-To-Maturity	—	—	(6,629)	(6,629)	—	—	(1,141)	(1,141)					
Long-term investments - Rabbi Trust	—	—	(8,841)	(8,841)	—	—	(8,415)	(8,415)					
Deferred income taxes - non-current	—	—	(455)	(455)	—	—	(545)	(545)					
Income taxes payable - current	—	—	253	253	—	—	229	229					
Income taxes payable - long-term	—	—	3,365	3,365	—	—	3,326	3,326					
Deferred income taxes - non-current	—	—	4,917	4,917	—	—	5,330	5,330					
Deferred compensation	—	—	8,795	8,795	—	—	8,365	8,365					
Total Capital Employed	\$ 75,548	\$ 15,204	\$ 2,258	\$ 93,010	\$ 75,451	\$ 15,166	\$ (174)	\$ 90,443					
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total									
Average Capital Employed (3)	\$ 80,088	\$ 18,911	\$ 2,682	\$ 101,681									

(1) See page 29 for Statement of Operations by Segment for the twelve months ended May 1, 2022.

(2) Return on average capital employed represents operating income for the twelve months ended May 1, 2022, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments – Rabbi Trust, income taxes receivable and payable, noncurrent deferred income tax assets and liabilities, and deferred compensation.

(3) Average capital employed was computed using the five quarterly periods ending May 1, 2022, January 30, 2022, October 31, 2021, August 1, 2021, and May 2, 2021.

(4) Intangible assets are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics and upholstery fabrics segments.

CULP, INC.
IN CAPITAL EMPLOYED BY
WELVE MONTHS ENDED
Unaudited
(Amounts in Thousands)

	Operating Income	Average Capital	Return on Avg. Capital
	May 2, 2021 (1)	Employed (3)	Employed (2)
Mattress Fabrics	\$ 11,798	\$ 69,044	17.1%
Upholstery Fabrics	11,876	16,332	72.7%
Unallocated Corporate	(11,598)	2,273	N.M.
Total	\$ 12,076	\$ 87,650	13.8%

Average Capital Employed	As of the three months ended May 2, 2021	As of the three months ended January 31, 2021	As of the three months ended November 1, 2020									
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 97,861	53,875	62,344	214,080	\$ 91,842	52,803	67,333	211,978	\$ 83,667	46,837	72,272	202,776
Total liabilities	(22,410)	(38,709)	(23,955)	(85,074)	(21,503)	(38,061)	(24,052)	(83,616)	(21,628)	(30,287)	(23,610)	(75,525)
Subtotal	\$ 75,451	\$ 15,166	\$ 38,389	\$ 129,006	\$ 70,339	\$ 14,742	\$ 43,281	\$ 128,362	\$ 62,039	\$ 16,550	\$ 48,662	\$ 127,251
Cash and cash equivalents	—	—	(37,009)	(37,009)	—	—	(35,987)	(35,987)	—	—	(45,288)	(45,288)
Short-term investments - Available-For-Sale	—	—	(5,542)	(5,542)	—	—	(5,548)	(5,548)	—	—	(5,462)	(5,462)
Short-term investments - Held-To-Maturity	—	—	(3,161)	(3,161)	—	—	(9,785)	(9,785)	—	—	(5,005)	(5,005)
Long-term investments - Held-To-Maturity	—	—	(1,141)	(1,141)	—	—	(512)	(512)	—	—	(759)	(759)
Long-term investments - Rabbi Trust	—	—	(8,415)	(8,415)	—	—	(8,232)	(8,232)	—	—	(8,060)	(8,060)
Deferred income taxes - non-current	—	—	(545)	(545)	—	—	(640)	(640)	—	—	(645)	(645)
Income taxes payable - current	—	—	229	229	—	—	1,129	1,129	—	—	1,413	1,413
Income taxes payable - long-term	—	—	3,326	3,326	—	—	3,325	3,325	—	—	3,325	3,325
Deferred income taxes - non-current	—	—	5,330	5,330	—	—	5,543	5,543	—	—	6,089	6,089
Deferred compensation	—	—	8,365	8,365	—	—	8,179	8,179	—	—	8,000	8,000
Total Capital Employed	\$ 75,451	\$ 15,166	\$ (174)	\$ 90,443	\$ 70,339	\$ 14,742	\$ 753	\$ 85,834	\$ 62,039	\$ 16,550	\$ 2,270	\$ 80,859

	As of the three months ended August 2, 2020	As of the three months ended May 3, 2020						
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets (4)	\$ 79,016	41,239	64,332	184,587	\$ 82,060	38,517	94,507	215,084
Total liabilities	(14,444)	(23,644)	(20,630)	(58,718)	(9,239)	(20,908)	(55,239)	(85,386)
Subtotal	\$ 64,572	\$ 17,595	\$ 43,702	\$ 125,869	\$ 72,821	\$ 17,609	\$ 39,268	\$ 129,698
Cash and cash equivalents	—	—	(39,986)	(39,986)	—	—	(69,790)	(69,790)
Short-term investments - Available for Sale	—	—	(983)	(983)	—	—	(923)	(923)
Short-term investments - Held-to-Maturity	—	—	(5,092)	(5,092)	—	—	(4,271)	(4,271)
Current income taxes receivable	—	—	(782)	(782)	—	—	(1,585)	(1,585)
Long-term investments - Held-to-Maturity	—	—	(1,314)	(1,314)	—	—	(2,076)	(2,076)
Long-term investments - Rabbi Trust	—	—	(7,916)	(7,916)	—	—	(7,834)	(7,834)
Deferred income taxes - non-current	—	—	(593)	(593)	—	—	(793)	(793)
Line of credit - China operations	—	—	—	—	—	—	1,015	1,015
Paycheck Protection Program Loan	—	—	—	—	—	—	7,606	7,606
Income taxes payable - current	—	—	613	613	—	—	395	395
Line of credit - U.S. operations	—	—	-	—	—	—	29,750	29,750
Income taxes payable - long-term	—	—	3,591	3,591	—	—	3,796	3,796
Deferred income taxes - non-current	—	—	5,311	5,311	—	—	1,818	1,818
Deferred compensation	—	—	7,869	7,869	—	—	7,720	7,720
Total Capital Employed	\$ 64,572	\$ 17,595	\$ 4,420	\$ 86,587	\$ 72,821	\$ 17,609	\$ 4,096	\$ 94,526

Average Capital Employed (3)	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
\$	\$ 69,044	\$ 16,332	\$ 2,273	\$ 87,650

- (1) See page 29 for Statement of Operations by Segment for the twelve months ended May 2, 2021.
- (2) Return on average capital employed represents operating income for the twelve months ended May 2, 2021, divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments Available-For-Sale, and short-term and long-term investments Held-To-Maturity, long-term investments–Rabbi Trust, income taxes receivable and payable, lines of credit associated with our U.S. and China operations, Paycheck Protection Program loan, deferred income tax assets and liabilities, and deferred compensation.
- (3) Average capital employed was computed using the five quarterly periods ending May 2, 2021, January 31, 2021, November 1, 2020, August 2, 2020, and May 3, 2020.
- (4) Intangible assets are included in unallocated corporate for all periods presented and therefore, have no effect on capital employed and return on capital employed for our mattress fabrics and upholstery fabrics segments.

CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 1, 2022
Unaudited
(Amounts in Thousands)

	TWELVE MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Total Sales	
	May 1, 2022	May 2, 2021		May 1, 2022	May 2, 2021
Net Sales by Segment					
Mattress Fabrics	\$ 152,159	\$ 157,671	(3.5)%	51.6%	52.6%
Upholstery Fabrics	142,680	142,049	0.4%	48.4%	47.4%
Net Sales	<u>\$ 294,839</u>	<u>\$ 299,720</u>	<u>(1.6)%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 16,458	\$ 23,864	(31.0)%	10.8%	15.1%
Upholstery Fabrics	19,635	25,968	(24.4)%	13.8%	18.3%
Gross Profit	<u>\$ 36,093</u>	<u>\$ 49,832</u>	<u>(27.6)%</u>	<u>12.2%</u>	<u>16.6%</u>
Selling, General, and Administrative Expenses by Segment					
Mattress Fabrics	\$ 12,246	\$ 12,066	1.5%	8.0%	7.7%
Upholstery Fabrics	14,009	14,092	(0.6)%	9.8%	9.9%
Unallocated Corporate	9,160	11,598	(21.0)%	3.1%	3.9%
Selling, General, and Administrative Expenses	<u>\$ 35,415</u>	<u>\$ 37,756</u>	<u>(6.2)%</u>	<u>12.0%</u>	<u>12.6%</u>
Income (Loss) from Operations by Segment					
Mattress Fabrics	\$ 4,212	\$ 11,798	(64.3)%	2.8%	7.5%
Upholstery Fabrics	5,626	11,876	(52.6)%	3.9%	8.4%
Unallocated Corporate	(9,160)	(11,598)	(21.0)%	(3.1)%	(3.9)%
Income from operations	<u>\$ 678</u>	<u>\$ 12,076</u>	<u>(94.4)%</u>	<u>0.2%</u>	<u>4.0%</u>
Return on Capital (1)					
Mattress Fabrics	5.3%	17.1%			
Upholstery Fabrics	29.7%	72.7%			
Unallocated Corporate	N.M.	N.M.			
Consolidated	<u>0.7%</u>	<u>13.8%</u>			
Capital Employed (1) (2)					
Mattress Fabrics	\$ 84,040	\$ 75,451	11.4%		
Upholstery Fabrics	25,209	15,166	66.2%		
Unallocated Corporate	3,817	(174)	N.M.		
Consolidated	<u>\$ 113,066</u>	<u>\$ 90,443</u>	<u>25.0%</u>		
Depreciation Expense by Segment					
Mattress Fabrics	\$ 6,200	\$ 6,014	3.1%		
Upholstery Fabrics	794	832	(4.6)%		
Depreciation Expense	<u>\$ 6,994</u>	<u>\$ 6,846</u>	<u>2.2%</u>		

(1) See previous return on capital employed by segment pages for calculations.

(2) The capital employed balances are as of May 1, 2022, and May 2, 2021.