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CULP INC
Form 8-K
June 05, 2001

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) June 5, 2001

CULP, INC.

(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------|--------------------------------------|
| North Carolina | 0-12781 | 56-1001967 |
| (State or other jurisdiction of incorporation) | (Commission File No.) | (IRS Employer Identification No.) |

101 South Main Street
High Point, North Carolina 27260
(Address of principal executive offices)
(336) 889-5161
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Item 5. Other Events

See attached Press Release (3 pages) and Financial Information Release (10 pages), both dated June 5, 2001, related to the fiscal 2001 fourth quarter and

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year ended April 29, 2001.

Forward Looking Information. This Report contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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 the Company's 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 the Company adversely. Because of the significant percentage of the Company's sales derived from international shipments, strengthening of the U. S. dollar against other currencies could make the Company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

SIGNATURE

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: Phillip W. Wilson _____
Vice President and
Chief Financial Officer

Dated: June 5, 2001

FOR IMMEDIATE RELEASE

CULP REPORTS FISCAL 2001 RESULTS INCLUDING RESTRUCTURING CHARGE

FOURTH QUARTER INCLUDES PROFIT OF \$0.13 PER SHARE
BEFORE RESTRUCTURING AND RELATED CHARGES

HIGH POINT, N. C. (June 5, 2001) -- As anticipated, Culp, Inc. (NYSE: CFI) today reported a loss for its fourth quarter and full 2001 fiscal year due to charges from the Company's announced actions to reduce costs and increase efficiency and due to the industry-wide slowdown in demand in the home furnishings industry. The company indicated that excluding restructuring and

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related charges, it was profitable in the fourth fiscal quarter and expects to operate profitably for fiscal 2002 as a whole.

For the three months ended April 29, 2001, Culp reported net sales of \$101.1 million compared with \$129.4 million a year ago. Including restructuring costs, the Company reported a net loss for the quarter of \$1.4 million, or \$0.13 per share diluted, compared with net income of \$3.2 million, or \$0.28 per share diluted, in the year-earlier period.

Net sales for fiscal 2001 totaled \$409.8 million compared with \$488.1-million in the year-earlier period. Including restructuring costs, the Company reported a net loss for fiscal 2001 of \$8.3 million, or \$0.74 per share diluted, compared with net income of \$9.4 million, or \$0.80 per share diluted, in fiscal 2000.

Robert G. Culp, III, chief executive officer, commented, "We had expected to report a net loss for the fourth quarter and full year because of the actions we are taking to reduce costs and ensure Culp's competitive position during this period of reduced demand. Although several key demographic trends suggest basic, underlying growth in demand for home furnishings, our fiscal 2001 year proved to be a challenging time for Culp and the industry as a whole. We believe that the longer term outlook is positive based on the growth projected for such fundamental indicators as new household formations, but the current slowdown in business is clearly going to persist into our fiscal 2002 year. The impact of this softness in incoming orders on our income statement is being aggravated by the continuing decline in international sales that are being affected by the high relative value of the U.S. dollar against foreign currencies.

Culp noted that the company earned \$1.4 million, or \$0.13 per share, in the fourth fiscal quarter before restructuring and related charges. He added, "Our goal is to restore consistent profitability for Culp. We are encouraged by the performance in the fourth quarter when our efficiency was significantly affected by the relocation of key manufacturing equipment and other major operational changes. Looking at fiscal 2002, we believe that sales for the first fiscal quarter, which is not typically a seasonally strong period for our business, will trail the year-earlier level of \$101.9 million. Although this will likely result in a loss for the period, excluding charges related to the restructuring, we believe that this will be less than the loss of \$1.8 million, or \$0.16 per share, in the year-earlier period. Results in subsequent quarters will be aided by more of the benefit of the restructuring plan and other actions we are taking to reduce costs. For fiscal 2002 as a whole, we are optimistic about reporting net earnings that will represent a rewarding turnaround and reinforce our potential to restore the company's historical level of profitability.

"We recognize the cyclical factors that historically have influenced demand for housing and home furnishings and remain confident about Culp's opportunity to progress as one of the leading suppliers of upholstery fabrics and mattress ticking. Current market conditions have required us, however, to downsize and consolidate our operations. The total charges from the restructuring and cost reduction initiatives are now expected to approximate \$8.5 million. This is up from our earlier estimate of \$6.0 million due principally to additional relocation costs related to the consolidation of capacity in our Culp Decorative Fabrics unit. We recorded \$7.4 million of these costs during fiscal 2001 and expect to complete these steps during the first half of fiscal 2002. Our target is to achieve annualized cost reductions of at least \$12 million when this program is fully implemented."

Culp concluded, "It is especially noteworthy that we generated sufficient cash from operations for fiscal 2001 to reduce debt and payables related to capital expenditures by \$31.2 million. We were in compliance with

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our credit agreement at the end of the fiscal year and are expecting that internally generated funds will allow us to continue strengthening our balance sheet during fiscal 2002. Our capital expenditures during fiscal 2001 declined from \$22.6 million to \$8.1 million, and we are budgeting new investments of only \$4 million for fiscal 2002."

Culp, Inc. is one of the world's largest marketers of upholstery fabrics for furniture and is a leading marketer of mattress ticking for bedding. The Company's fabrics are used principally in the production of residential and commercial furniture and bedding products.

This release contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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 the Company's 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 the Company adversely. Because of the significant percentage of the Company's sales derived from international shipments, strengthening of the U.S. dollar against other currencies could make the Company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

CULP, INC. Condensed Financial Highlights

| | Three Months Ended | |
|------------------------------|--------------------|-------------------|
| | April 29, 2001 | April 30, 2000 |
| Net sales | \$ 101,071,000 | \$ 129,419,000 |
| Net income (loss) | \$ (1,427,000) | \$ 3,191,000 |
| Net income (loss) per share: | | |
| Basic | \$ (0.13) | \$ 0.28 |
| Diluted | \$ (0.13) | \$ 0.28 |
| Average shares outstanding: | | |
| Basic | 11,212,000 | 11,213,000 |
| Diluted | 11,212,000 | 11,298,000 |
| | Fiscal Year Ended | |
| | April 29, 2001 | April 30, 2000 |
| Net sales | \$ 409,810,000 | \$ 488,079,000 |
| Net income (loss) | \$ (8,311,000) | \$ 9,380,000 |
| Net income (loss) per share: | | |
| Basic | \$ (0.74) | \$ 0.81 |
| Diluted | \$ (0.74) | \$ 0.80 |
| Average shares outstanding: | | |
| Basic | 11,210,000 | 11,580,000 |

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Diluted 11,210,000 11,681,000

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF INCOME (LOSS)
 FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 29, 2001 AND APRIL 30, 2000

(Amounts in Thousands, Except for Per Share Data)

| THREE MONTHS ENDED (UNAUDITED) | | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| ----- | | | | |
| Amounts | | | | |
| ----- | | | | |
| | April 29, 2001 | April 30, 2000 | % Over (Under) | Percent 2001 |
| ----- | | | | |
| Net sales | \$ 101,071 | 129,419 | (21.9)% | 100.0 |
| Cost of sales | 85,978 | 107,342 | (19.9)% | 85.1 |
| Gross profit | 15,093 | 22,077 | (31.6)% | 14.9 |
| Selling, general and administrative expenses | 10,617 | 14,913 | (28.8)% | 10.5 |
| Restructuring expense | 3,121 | 0 | 100.0 % | 3.1 |
| Income from operations | 1,355 | 7,164 | (81.1)% | 1.3 |
| Interest expense | 2,284 | 2,255 | 1.3 % | 2.3 |
| Interest income | (6) | (10) | (40.0)% | (0.0) |
| Other expense (income), net | 1,209 | 366 | 230.3 % | 1.2 |
| Income (loss) before income taxes | (2,132) | 4,553 | (146.8)% | (2.1) |
| Income taxes * | (705) | 1,362 | (151.8)% | 33.1 |
| Net income (loss) | \$ (1,427) | 3,191 | (144.7)% | (1.4) |
| ===== | | | | |
| Net income (loss) per share | (\$0.13) | \$0.28 | (146.4)% | |
| Net income (loss) per share, assuming dilution | (\$0.13) | \$0.28 | (146.4)% | |
| Dividends per share | \$0 | \$0.035 | (100.0)% | |
| Average shares outstanding | 11,212 | 11,213 | (0.0)% | |
| Average shares outstanding, assuming dilution | 11,212 | 11,298 | (0.8)% | |

| TWELVE MONTHS ENDED | | | | |
|---------------------|-------------------|-------------------|-------------------|-----------------|
| ----- | | | | |
| Amounts | | | | |
| ----- | | | | |
| | April 29, 2001 | April 30, 2000 | % Over (Under) | Percent 2001 |
| ----- | | | | |
| Net sales | \$ 409,810 | 488,079 | (16.0)% | 100.0 |
| Cost of sales | 353,823 | 403,414 | (12.3)% | 86.3 |
| ----- | | | | |

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| | | | | |
|--|------------|--------|----------|-------|
| Gross profit | 55,987 | 84,665 | (33.9)% | 13.7 |
| Selling, general and administrative expenses | 50,366 | 59,935 | (16.0)% | 12.3 |
| Restructuring expense | 5,625 | 0 | 100.0 % | 1.4 |
| | ----- | ----- | | ----- |
| Income (loss) from operations | (4) | 24,730 | (100.0)% | (0.0) |
| Interest expense | 9,114 | 9,521 | (4.3)% | 2.2 |
| Interest income | (46) | (51) | (9.8)% | (0.0) |
| Other expense (income), net | 3,336 | 1,566 | 113.0 % | 0.8 |
| | ----- | ----- | | ----- |
| Income (loss) before income taxes | (12,408) | 13,694 | (190.6)% | (3.0) |
| Income taxes * | (4,097) | 4,314 | (195.0)% | 33.0 |
| | ----- | ----- | | ----- |
| Net income (loss) | \$ (8,311) | 9,380 | (188.6)% | (2.0) |
| | ===== | ===== | | ===== |
| Net income (loss) per share | (\$0.74) | \$0.81 | (191.4)% | |
| Net income (loss) per share, assuming dilution | (\$0.74) | \$0.80 | (192.5)% | |
| Dividends per share | \$0.105 | \$0.14 | (25.0)% | |
| Average shares outstanding | 11,210 | 11,580 | (3.2)% | |
| Average shares outstanding, assuming dilution | 11,210 | 11,681 | (4.0)% | |

* Percent of sales column is calculated as a % of income (loss) before income taxes.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
APRIL 29, 2001 AND APRIL 30, 2000

(Amounts in Thousands)

| | Amounts | | Increase (Decrease) |
|--------------------------------------|-------------------|-----------------------|------------------------|
| | April 29, 2001 | (1) April 30, 2000 | Dollars |
| | ----- | ----- | ----- |
| Current assets | | | |
| Cash and cash investments | \$ 1,207 | 1,007 | 200 |
| Accounts receivable | 57,849 | 75,223 | (17,374) |
| Inventories | 59,997 | 74,471 | (14,474) |
| Other current assets | 7,856 | 10,349 | (2,493) |
| | ----- | ----- | ----- |
| Total current assets | 126,909 | 161,050 | (34,141) |
| Property, plant & equipment, net | 112,322 | 126,407 | (14,085) |
| Goodwill | 48,478 | 49,873 | (1,395) |
| Other assets | 1,871 | 6,650 | (4,779) |
| | ----- | ----- | ----- |
| Total assets | \$ 289,580 | 343,980 | (54,400) |
| | ===== | ===== | ===== |
| Current liabilities | | | |
| Current maturities of long-term debt | \$ 2,488 | 1,678 | 810 |
| Accounts payable | 27,371 | 37,287 | (9,916) |

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| | | | |
|--|------------|---------|----------|
| Accrued expenses | 17,153 | 22,108 | (4,955) |
| Income taxes payable | 1,268 | 0 | 1,268 |
| | ----- | ----- | ----- |
| Total current liabilities | 48,280 | 61,073 | (12,793) |
| Long-term debt | 109,168 | 135,808 | (26,640) |
| Deferred income taxes | 10,330 | 17,459 | (7,129) |
| | ----- | ----- | ----- |
| Total liabilities | 167,778 | 214,340 | (46,562) |
| Shareholders' equity | 121,802 | 129,640 | (7,838) |
| | ----- | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 289,580 | 343,980 | (54,400) |
| | ===== | ===== | ===== |
| Shares outstanding | 11,221 | 11,209 | 12 |
| | ===== | ===== | ===== |

(1) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL
INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED APRIL 29, 2001 AND APRIL 30, 2000

(Amounts in Thousands)

| | TWELVE MONTHS ENDED | |
|--|---------------------|-------------------|
| | Amounts | |
| | April 29, 2001 | April 30, 2000 |
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (8,311) | 9,388 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 19,391 | 19,468 |
| Amortization of intangible assets | 1,591 | 1,591 |
| Amortization of deferred compensation | 360 | 25 |
| Provision for deferred income taxes | (5,394) | 2,177 |
| Restructuring expense | 5,625 | |
| Changes in assets and liabilities: | | |
| Accounts receivable | 17,374 | (4,721) |
| Inventories | 14,474 | (7,401) |
| Other current assets | 827 | (1,171) |
| Other assets | 171 | (77) |
| Accounts payable | (4,530) | 1,021 |
| Accrued expenses | (6,767) | 89 |
| Income taxes payable | 1,268 | |
| | ----- | ----- |
| Net cash provided by operating activities | 36,079 | 21,877 |
| | ----- | ----- |

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| | | |
|---|----------|----------|
| Cash flows from investing activities: | | |
| Capital expenditures | (8,050) | (22,550) |
| Purchases of restricted investments | 0 | (4,000) |
| Sale of investments related to deferred compensation plan | 4,547 | |
| Sale of restricted investments | 0 | 3,380 |
| | ----- | ----- |
| Net cash used in investing activities | (3,503) | (19,210) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 564 | 9,540 |
| Principal payments on long-term debt | (26,394) | (14,040) |
| Change in accounts payable-capital expenditures | (5,386) | 10,570 |
| Dividends paid | (1,177) | (1,610) |
| Payments to acquire common stock | 0 | (6,630) |
| Proceeds from common stock issued | 17 | 2,000 |
| | ----- | ----- |
| Net cash used in financing activities | (32,376) | (2,150) |
| | ----- | ----- |
| Increase in cash and cash investments | 200 | 490 |
| Cash and cash investments at beginning of period | 1,007 | 500 |
| | ----- | ----- |
| Cash and cash investments at end of period | \$ 1,207 | 1,000 |
| | ===== | ===== |

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
APRIL 29, 2001

| | FISCAL 00 | FISCAL 01 | |
|---|--------------|-----------|-----------|
| | Q4 (6) | Q1 (6) | Q2 (6) |
| | ----- | ----- | ----- |
| INVENTORIES | | | |
| Inventory turns | 5.5 | 4.7 | 5.1 |
| RECEIVABLES | | | |
| Days sales in receivables | 53 | 49 | 52 |
| Percent current & less than 30 days past due | 93.5% | 91.5% | 94.7% |
| WORKING CAPITAL | | | |
| Current ratio | 2.6 | 3.2 | 2.7 |
| Working capital turnover (3) | 4.4 | 4.3 | 4.2 |
| Operating working capital (3) | \$112,407 | \$108,509 | \$106,607 |
| PROPERTY, PLANT & EQUIPMENT | | | |
| Depreciation rate | 7.9% | 8.0% | 7.9% |
| Percent property, plant & equipment are depreciated | 49.6% | 51.1% | 52.6% |
| Capital expenditures | \$22,559 (1) | \$2,289 | \$1,370 |
| PROFITABILITY | | | |
| Return on average total capital | 7.2% | (0.3%) | 2.7% |
| Return on average equity | 10.0% | (5.5%) | 1.1% |
| Net income (loss) per share | \$0.28 | (\$0.16) | \$0.03 |

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| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Net income (loss) per share (diluted) | \$0.28 | (\$0.16) | \$0.03 |
| | | | |
| LEVERAGE | | | |
| Total liabilities/equity | 165.3% | 156.1% | 154.6% |
| Funded debt/equity | 106.1% | 107.3% | 99.5% |
| Funded debt/capital employed | 51.5% | 51.8% | 49.9% |
| Funded debt | \$137,486 | \$136,828 | \$126,757 |
| Funded debt/EBITDA (LTM) (5) | 3.08 | 3.44 | 3.57 |
| EBITDA/Interest expense, net (LTM) | 4.7 | 4.2 | 3.9 |
| | | | |
| OTHER | | | |
| Book value per share | \$11.57 | \$11.37 | \$11.37 |
| Employees at quarter end | 3,825 | 3,722 | 3,623 |
| Sales per employee (annualized) | \$133,000 | \$108,000 | \$121,000 |
| Capital employed | \$267,126 | \$264,320 | \$254,198 |
| Effective income tax rate | 29.9% | 34.0% | 37.9% |
| EBITDA (2) | \$12,248 | \$5,177 | \$8,265 |
| EBITDA/net sales | 9.5% | 5.1% | 7.4% |

- (1) Expenditures for entire year
(2) Earnings before interest, income taxes, and depreciation & amortization.
(3) Working capital for this calculation is accounts receivable, inventories and accounts payable
(4) LTM represents "Latest Twelve Months"
(5) EBITDA includes capitalized interest and certain cash and non-cash charges, as defined by t
(6) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES BY SEGMENT/DIVISION
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 29, 2001 AND APRIL 30, 2000

(Amounts in thousands)

| Segment/Division | THREE MONTHS ENDED (UNAUDITED) | | | |
|-------------------------|--------------------------------|-------------------|-------------------|--------------|
| | Amounts | | | Percent of T |
| | April 29, 2001 | April 30, 2000 | % Over (Under) | 2001 |
| | | | | |
| Upholstery Fabrics | | | | |
| Culp Decorative Fabrics | \$ 41,046 | 56,130 | (26.9) % | 40.6 % |
| Culp Velvets/Prints | 31,327 | 39,501 | (20.7) % | 31.0 % |
| Culp Yarn | 2,417 | 4,809 | (49.7) % | 2.4 % |
| | 74,790 | 100,440 | (25.5) % | 74.0 % |
| | | | | |
| Mattress Ticking | | | | |
| Culp Home Fashions | 26,281 | 28,979 | (9.3) % | 26.0 % |
| | * \$ 101,071 | 129,419 | (21.9) % | 100.0 % |
| | ===== | ===== | ===== | ===== |

TWELVE MONTHS ENDED

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| Segment/Division | Amounts | | | Percent of Total |
|-------------------------|----------------|----------------|----------------|------------------|
| | April 29, 2001 | April 30, 2000 | % Over (Under) | |
| Upholstery Fabrics | | | | |
| Culp Decorative Fabrics | \$ 170,326 | 213,197 | (20.1) % | 41.6 % |
| Culp Velvets/Prints | 122,105 | 151,543 | (19.4) % | 29.8 % |
| Culp Yarn | 12,581 | 17,570 | (28.4) % | 3.1 % |
| | 305,012 | 382,310 | (20.2) % | 74.4 % |
| Mattress Ticking | | | | |
| Culp Home Fashions | 104,798 | 105,769 | (0.9) % | 25.6 % |
| | * \$ 409,810 | 488,079 | (16.0) % | 100.0 % |

* U.S. sales were \$85,314 and \$101,276 for the fourth quarter of fiscal 2001 and fiscal 2000, respectively; and \$331,986 and \$376,975 for the twelve months of fiscal 2001 and fiscal 2000, respectively. The percentage decrease in U.S. sales was 15.8% for the fourth quarter and a decrease of 11.9% for the twelve months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 29, 2001 AND APRIL 30, 2000

(Amounts in thousands)

| Geographic Area | THREE MONTHS ENDED (UNAUDITED) | | | |
|-------------------------------|--------------------------------|----------------|----------------|------------------|
| | Amounts | | | Percent of Total |
| | April 29, 2001 | April 30, 2000 | % Over (Under) | |
| North America (Excluding USA) | \$ 7,872 | 9,968 | (21.0) % | 50.0 % |
| Europe | 1,334 | 2,655 | (49.8) % | 8.0 % |
| Middle East | 3,375 | 8,837 | (61.8) % | 21.0 % |
| Far East & Asia | 2,394 | 5,014 | (52.3) % | 15.0 % |
| South America | 296 | 570 | (48.1) % | 1.0 % |
| All other areas | 486 | 1,099 | (55.8) % | 3.0 % |
| | \$ 15,757 | 28,143 | (44.0) % | 100.0 % |

| Geographic Area | TWELVE MONTHS ENDED | | | |
|-----------------|---------------------|----------------|----------------|------------------|
| | Amounts | | | Percent of Total |
| | April 29, 2001 | April 30, 2000 | % Over (Under) | |
| | | | | |

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| | | | | | |
|-------------------------------|----|--------|---------|----------|------|
| North America (Excluding USA) | \$ | 34,049 | 36,032 | (5.5) % | 43. |
| Europe | | 6,262 | 16,351 | (61.7) % | 8. |
| Middle East | | 17,831 | 32,929 | (45.9) % | 22. |
| Far East & Asia | | 15,497 | 19,102 | (18.9) % | 19. |
| South America | | 1,028 | 2,343 | (56.1) % | 1. |
| All other areas | | 3,157 | 4,347 | (27.4) % | 4. |
| | \$ | 77,824 | 111,104 | (30.0) % | 100. |

International sales, and the percentage of total sales, for each of the last five fiscal years follows: fiscal 1997-\$101,571 (25%); fiscal 1998-\$137,223 (29%); fiscal 1999-\$113,354 (23%); fiscal 2000-\$111,104 (23%); and fiscal 2001-\$77,824 (19%). International sales for the fourth quarter represented 15.6% and 21.7% for 2001 and 2000, respectively.

Culp, Inc.
SALES BY SEGMENT/DIVISION - TREND ANALYSIS
1999 vs 2000 vs 2001

(Amounts in thousands)

| Segment/Division | Fiscal 1999 | | | | | Q1 |
|-------------------------|-------------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | TOTAL | |
| Upholstery Fabrics | | | | | | |
| Culp Decorative Fabrics | 51,445 | 59,573 | 50,520 | 60,520 | 222,058 | 50,516 |
| Culp Velvets/Prints | 29,994 | 38,728 | 34,949 | 40,402 | 144,073 | 36,209 |
| Culp Yarn | 6,596 | 6,367 | 4,088 | 4,462 | 21,513 | 4,129 |
| | 88,035 | 104,668 | 89,557 | 105,384 | 387,644 | 90,854 |
| Mattress Ticking | | | | | | |
| Culp Home Fashions | 22,632 | 23,491 | 22,536 | 26,781 | 95,440 | 25,083 |
| | 110,667 | 128,159 | 112,093 | 132,165 | 483,084 | 115,937 |

Percent increase(decrease) from prior year:

| Segment/Division | | | | | | |
|-------------------------|--------|--------|--------|--------|--------|--------|
| Upholstery Fabrics | | | | | | |
| Culp Decorative Fabrics | 29.2 | 4.9 | (5.4) | 0.6 | 5.7 | (1.8) |
| Culp Velvets/Prints | (21.9) | (11.8) | (20.6) | (10.3) | (15.9) | 20.7 |
| Culp Yarn | 100.0 | 100.0 | 437.2 | (37.3) | 173.1 | (37.4) |
| | 12.6 | 3.9 | (8.8) | (6.2) | (0.5) | 3.2 |
| Mattress Ticking | | | | | | |
| Culp Home Fashions | 6.3 | 5.7 | 11.2 | 13.9 | 9.3 | 10.8 |

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| | 11.2 | 4.3 | (5.4) | (2.7) | 1.3 | 4.8 | 1 |
|---------------------------------|-------|-------|-------|-------|-------|-----|---|
| Overall Growth Rate | | | | | | | |
| Internal (without acquisitions) | (4.6) | (0.9) | (8.5) | (2.7) | (4.1) | 4.8 | 1 |
| External | 15.8 | 5.2 | 3.1 | - | 5.4 | - | |
| | 11.2 | 4.3 | (5.4) | (2.7) | 1.3 | 4.8 | 1 |

Culp, Inc.
SALES BY SEGMENT/DIVISION - TREND ANALYSIS
1999 vs 2000 vs 2001

(Amounts in thousands)

| Segment/Division | Fiscal 2001 | | | | |
|-------------------------|-------------|---------|--------|---------|------|
| | Q1 | Q2 | Q3 | Q4 | TO |
| Upholstery Fabrics | | | | | |
| Culp Decorative Fabrics | 41,533 | 46,792 | 40,955 | 41,046 | 170, |
| Culp Velvets/Prints | 30,074 | 32,073 | 28,631 | 31,327 | 122, |
| Culp Yarn | 3,319 | 4,134 | 2,711 | 2,417 | 12, |
| | 74,926 | 82,999 | 72,297 | 74,790 | 305, |
| Mattress Ticking | | | | | |
| Culp Home Fashions | 26,952 | 27,982 | 23,583 | 26,281 | 104, |
| | 101,878 | 110,981 | 95,880 | 101,071 | 409, |

Percent increase(decrease) from prior year:

| Segment/Division | | | | | |
|---------------------------------|--------|--------|--------|--------|------|
| Upholstery Fabrics | | | | | |
| Culp Decorative Fabrics | (17.8) | (17.8) | (17.5) | (26.9) | (20) |
| Culp Velvets/Prints | (16.9) | (23.2) | (15.9) | (20.7) | (19) |
| Culp Yarn | (19.6) | (5.1) | (36.6) | (49.7) | (28) |
| | (17.5) | (19.4) | (17.8) | (25.5) | (20) |
| Mattress Ticking | | | | | |
| Culp Home Fashions | 7.5 | 5.6 | (6.4) | (9.3) | (0) |
| | (12.1) | (14.3) | (15.3) | (21.9) | (16) |
| Overall Growth Rate | | | | | |
| Internal (without acquisitions) | (12.1) | (14.3) | (15.3) | (21.9) | (16) |
| External | - | - | - | - | |

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(12.1) (14.3) (15.3) (21.9) (16)

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CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and twelve month periods ended April 29, 2001 and April 30, 2000

INCOME STATEMENT COMMENTS

GENERAL - For the fourth quarter, net sales decreased 21.9% to \$101.1 million; and the company reported a net loss of \$1.4 million, or \$0.13 per share diluted (based on 11,212,000 average shares outstanding) versus net income of \$3.2 million, or \$0.28 per share diluted (based on 11,298,000 average shares outstanding) in the fourth quarter of fiscal 2000. For fiscal 2001, net sales decreased 16.0% to \$409.8 million, and the company reported a net loss of \$8.3 million, or \$0.74 per share diluted (based on 11,210,000 average shares outstanding), versus net income of \$9.4 million, or \$0.80 per share diluted (based on 11,681,000 average shares outstanding), a year ago. The results for the fourth quarter and fiscal 2001 included charges before taxes totaling \$4.2 million and \$7.4 million, respectively, for restructuring actions and inventory write-downs. Without the restructuring and related charges, earnings would have been \$1.4 million, or \$0.13 per share diluted for the fourth quarter, and the loss would have been \$3.3 million, or \$0.30 per share diluted for fiscal 2001 as a whole.

The company's long-term, strategic plan encompasses several competitive initiatives:

Broad Product Offering - continuing to market one of the broadest product lines in upholstery fabrics and mattress ticking, consistent with customer demand. Through its extensive manufacturing capabilities, the company competes in every major category except leather;

Diverse Global Customer Base - maintaining a diverse, global customer base. The company has long-standing relationships with most major upholstery furniture manufacturers. Ownership of resources in the home furnishings industry is becoming increasingly concentrated, and the company has successfully been able to capitalize on its size and product breadth to supply more of the needs of existing customers. One customer accounted for approximately 11% of net sales during fiscal 2001. Culp is pursuing opportunities in other end-use markets in addition to U.S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture;

Design Innovation - continuing to invest in personnel and other resources for the design of upholstery fabrics and ticking with appealing patterns and textures. An integral component of the value Culp provides to customers is supplying fabrics that are fashionable and match current consumer preferences. The company's principal design resources are consolidated in a single facility that has advanced computer-assisted design systems and promotes sharing of innovative designs across product lines. Culp encourages active customer involvement in the entire design process; and

Vertical Integration - operating as a vertically integrated manufacturer and taking advantage of economies that can be gained by producing the raw material components that are used in the manufacture of its products.

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RESTRUCTURING ACTIONS - During fiscal 2001, the company initiated a restructuring plan intended to lower costs, increase efficiency and position the company to operate profitably within the current environment of reduced demand. The plan involves the consolidation of certain manufacturing capacity, the closure of some facilities and an extensive reduction in selling, general and administrative expenses. The company also recognized certain inventory write-downs as part of this initiative. The total charge from the restructuring, cost reduction and inventory write-down initiatives is expected to total \$8.5 million, about \$3.5 million of which represents non-cash items. The company recognized \$7.4 million of restructuring and related charges during fiscal 2001 and expects to record the remaining charges related to restructuring during the first half of fiscal 2002. The company expects to realize annualized cost reductions of at least \$12 million when these steps are fully implemented.

NET SALES - Compared with fiscal 2000, upholstery fabric sales for fiscal 2001 decreased 20.2% to \$305.0 million, and mattress ticking sales decreased 0.9% to \$104.8 million (See Sales by Segment/Division schedule on Page 5 and Sales by Segment/Division - Trend Analysis on Page 7). International sales were down 30.0% for fiscal 2001.

The company had previously announced that it did not expect to report a profit for the full year, excluding restructuring and related charges. Key factors influencing the year-to-year comparison were the sharp, persistent weakness in consumer spending on home furnishings, especially in the promotional price category, and the strength in the U.S. dollar that had an adverse impact on exports. The slowdown in industry-wide demand also led to a decline in sales at Culp Home Fashions (primarily mattress ticking) for the third and fourth quarters, resulting in a slight decline in sales for the full year.

GROSS PROFIT - Gross profit declined 33.9% for fiscal 2001 and decreased as a percentage of net sales from 17.3% to 13.7%. The decline was due principally to lower sales volume that led to unfavorable cost variances in the company's upholstery fabrics operation. The company is taking steps to lower expenses by consolidating certain operations and reducing personnel, but does not expect to realize the full benefit of these actions until the second half of fiscal 2002.

SG&A EXPENSES - SG&A expenses for fiscal 2001 declined 16.0% from the prior year. Reflecting the momentum of the company's actions to reduce expenses, SG&A expenses for the fourth quarter declined 28.8% from the year-earlier period and, as a percentage of sales, declined from 11.5% to 10.5%.

INTEREST EXPENSE - Interest expense for fiscal 2001 declined from \$9.5-million to \$9.1 million due to lower average borrowings, partially offset by higher interest rates.

OTHER EXPENSE (INCOME), NET - Other expense (income) for fiscal 2001 totaled \$3.3 million compared with \$1.6 million in the prior year. The increase was principally due to lower investment income on assets related to the company's nonqualified deferred compensation plan, mark-to-market losses on foreign currency forward contracts for anticipated purchases in the Euro and mark-to-market losses on interest rate swaps that became unhedged with the repayment of debt.

INCOME TAXES - The effective tax rate for fiscal 2001 was 33.0% versus 31.5% for the prior year.

EBITDA - Due principally to the decline in earnings, EBITDA for fiscal 2001 was \$18.0 million compared with \$44.5 million in the prior year. EBITDA for the fourth quarter of fiscal 2001 was \$5.2 million compared with \$12.2 million in the prior year.

BALANCE SHEET COMMENTS

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WORKING CAPITAL - Accounts receivable as of April 29, 2001 decreased 23.1% from the year-earlier level, due principally to the decline in sales. Days sales outstanding totaled 52 days at April 29, 2001 compared with 53 at the end of fiscal 2000. The aging of accounts receivable was 95.5% current and less than 30 days past due versus 93.5% a year ago. Inventories at the close of fiscal 2001 decreased 19.4% from a year ago. Inventory turns for the fourth quarter were 5.4 versus 5.5 for the year-earlier period. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was \$90.5 million at April 29, 2001, down from \$112.4 million a year ago.

PROPERTY, PLANT AND EQUIPMENT - Capital spending for fiscal 2001 declined to \$8.1 million compared with \$22.6 million in fiscal 2000. The company had planned on lower expenditures and reduced the investment in new equipment further during the year due to the pronounced slowdown in demand. The company has lowered the budget for capital spending for fiscal 2002 to approximately \$4.0 million. Depreciation for fiscal 2001 totaled \$19.4 million. Depreciation for fiscal 2002 is currently estimated to be \$17.5 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 47.8% at April 29, 2001 compared with 51.5% at the close of fiscal 2000. Funded debt was \$111.7 million at April 29, 2001 compared with \$137.5 million at the close of fiscal 2000. Funded debt equals long-term debt, including current maturities. During fiscal 2001, the company amended its credit facility to include terms that restrict the payment of cash dividends and share repurchases at this time, limit capital expenditures, increase the interest rate on the revolver from LIBOR plus 1.60% to LIBOR plus 4.00% and increase the letter of credit fees on the IRBs from 1.10% to 4.00%. The company was in compliance with all covenants of the amended credit facility as of April 29, 2001. The amended credit facility lowered the amount of funds available under the facility from \$88 million to \$25 million. The company had outstanding borrowings of approximately \$1 million under the facility at the end of fiscal 2001.

RESTATEMENT - During the third quarter of fiscal 2001, the company terminated the nonqualified deferred compensation plan covering officers and certain other associates. As a result, the company surrendered the life insurance contracts related to the nonqualified plan in order to pay the participants. The proceeds from those life insurance contracts resulted in an amount greater than had previously been recorded by the company, attributable to gains that occurred in 1999 and 1998. In order to properly reflect these gains, the company restated its financial statements and certain disclosures previously reported in its financial statements as of April 30, 2000. The effect of the correction for these gains increased other assets and retained earnings by \$1,102,000 in the consolidated balance sheet as of April 30, 2000.

STOCK REPURCHASE

In separate authorizations in June 1998, March 1999, September 1999 and December 1999, the Board of Directors authorized the use of a total of \$20.0 million to repurchase the company's common stock. During fiscal 2000 and 1999, the company has invested \$12.2 million to repurchase a total of 1.8 million shares. No repurchases were made during fiscal 2001, and under the terms of the amended credit facility, the company is currently restricted from any stock repurchases.