CULP INC
Form 8-K
February 20, 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) February 20, 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 February 20, 2001, related to the fiscal 2001 third quarter ended January 28, 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: February 20, 2001

FOR IMMEDIATE RELEASE

CULP REPORTS THIRD QUARTER RESULTS
INCLUDING RESTRUCTURING CHARGE

SAVINGS OF $12 MILLION EXPECTED FROM ACTIONS TO REDUCE COSTS

HIGH POINT, N. C. (Feb. 20, 2001) -- As anticipated, Culp, Inc. (NYSE: CFI) today reported a loss for its third fiscal quarter that reflects the widespread contraction in demand that the home furnishings industry has encountered as well as charges from the Company's announced actions to reduce costs and increase efficiency.

For the three months ended January 28, 2001, Culp reported net sales of $95.9 million compared with $113.2 million a year ago. Including previously announced restructuring costs, the Company reported a net loss for the quarter of $5.5 million, or $0.49 per share diluted, compared with net income of $1.4 million, or $0.13 per share diluted, in the year-earlier period.

Net sales for the first nine months of fiscal 2001 totaled $308.7 million compared with $358.7-million in the year-earlier period. Including previously announced restructuring costs, the Company reported a net loss for the first nine months of $6.9 million, or $0.61 per share diluted, compared with net income of $6.2 million, or $0.52 per share diluted, in the year-earlier period.

Robert G. Culp, III, chief executive officer, commented, "Our results for the third fiscal quarter reflect the contraction in demand that we had identified at mid year and which we again highlighted publicly last month. We have found widespread softness in orders for upholstery fabrics for U.S. furniture sales, especially in the promotional categories of the market. This appears to be an industry-wide pattern that became evident with the well-publicized deceleration in spending by consumers that began during the fourth calendar quarter of 2000. The weakness that we have been experiencing in international sales is also persisting. We have obtained little relief in terms of the high relative value of the U.S. dollar against foreign currencies compared with a year ago. Our sales of fabrics to customers outside the United States during the third quarter were down 31% from the year-earlier period.

"We are continuing our fundamental mission of marketing new fabric patterns and textures that help our customers meet the needs of consumers. At the same time, we understand that execution of this strategy demands stringent containment of expenses during the difficult period in which we are operating. The restructuring plan we announced last month is well underway. As we began executing the initial phase of this program to reduce costs, we recognized that the severity of the current downturn in demand necessitated a more aggressive effort. We have accordingly decided to consolidate additional capacity in the Culp Decorative Fabrics division and have taken steps that will lower our selling, general and administrative expenses significantly. The total charge from the restructuring, cost reduction and inventory adjustment initiatives is expected to exceed $6.0 million, about half of which should represent non-cash items. We recognized $3.2 million of restructuring charges and special costs in the third quarter, and most of the balance will be reflected in our results for the fourth fiscal period. Our target is to achieve annualized cost reductions of at least $12 million when these steps are fully implemented."

Culp added, "We are continuing to manage our balance sheet to maximize the return on our financial assets and generated sufficient cash from operations through the first nine months to reduce debt and payables related to capital expenditures by $21.8 million. We recently amended our credit facility and were in compliance with the revised terms as of the close of the third quarter. As a result of the amendments to that facility, the Company is restricted from paying cash dividends at this time. Although we respect Culp's heritage of paying a quarterly cash dividend for 18 consecutive years, we recognize the priority of conserving cash to enhance our financial liquidity during this challenging period.

"We appreciate the response of our organization to these difficult, but necessary actions. Culp has developed a strong culture of teamwork over the years, and the decisions involving personnel reductions have been especially hard. Although we are starting to benefit from the steps to lower costs, we expect to report a loss for fiscal 2001 as a whole based on current trends. We are confident about the basic value we add to the manufacturers of upholstered furniture and bedding and are optimistic about a longer-term recovery in our financial performance."

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
(Unaudited)

	Three Months Ended	
	January 28, 2001	January 30, 2000
Net sales	$95,880,000	$113,181,000
Net income (loss)	$(5,470,000)	$ 1,432,000
Net income (loss) per share:		
Basic	$ (0.49)	$ 0.13
Diluted	$ (0.49)	$ 0.13
Average shares outstanding:		
Basic	11,211,000	11,296,000
Diluted	11,211,000	11,389,000

	Nine Months Ended	
	January 28, 2001	January 30, 2000
Net sales	$308,739,000	$358,660,000
Net income (loss)	$(6,884,000)	$ 6,189,000
Net income (loss) per share:		
Basic	$ (0.61)	$ 0.53
Diluted	$ (0.61)	$ 0.52
Average shares outstanding:		
Basic	11,209,000	11,703,000
Diluted	11,209,000	11,816,000

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)			
	Amounts			Perc
	January 28, 2001	January 30, 2000	% Over (Under)	2001
Net sales	$ 95,880	113,181	(15.3) %	100.
Cost of sales	86,047	94,712	(9.1) %	89.
Gross profit	9,833	18,469	(46.8) %	10.
Selling, general and administrative expenses	12,480	13,949	(10.5) %	13.
Restructuring expense	2,504	0	100.0 %	2.
Income (loss) from operations	(5,151)	4,520	(214.0) %	(5.
Interest expense	2,222	2,366	(6.1) %	2.
Interest income	(18)	(8)	125.0 %	(0.
Other expense (income), net	811	229	254.1 %	0.
Income (loss) before income taxes	(8,166)	1,933	(522.5) %	(8.
Income taxes *	(2,696)	501	(638.1) %	33.
Net income (loss)	$ (5,470)	1,432	(482.0) %	(5.
Net income (loss) per share	($0.49)	$0.13	(476.9) %	
Net income (loss) per share, assuming dilution	($0.49)	$0.13	(476.9) %	
Dividends per share	$0.035	$0.035	0.0 %	
Average shares outstanding	11,211	11,296	(0.8) %	
Average shares outstanding, assuming dilution	11,211	11,389	(1.6) %	

		NINE MONTHS ENDED (UNAUDITED			
		Amounts			Perc
		January 28, 2001	January 30, 2000	% Over (Under)	2001
Net sales	$	308,739	358,660	(13.9) %	100.
Cost of sales		267,845	296,072	(9.5) %	86.
Gross profit		40,894	62,588	(34.7) %	13.
Selling, general and administrative expenses		39,749	45,022	(11.7) %	12.
Restructuring expense		2,504	0	100.0 %	0.
Income (loss) from operations		(1,359)	17,566	(107.7) %	(0.
Interest expense		6,830	7,266	(6.0) %	2.
Interest income		(40)	(41)	(2.4) %	(0.
Other expense (income), net		2,127	1,200	77.3 %	0.
Income (loss) before income taxes		(10,276)	9,141	(212.4) %	(3.
Income taxes *		(3,392)	2,952	(214.9) %	33.
Net income (loss)	$	(6,884)	6,189	(211.2) %	(2.
Net income (loss) per share		($0.61)	$0.53	(215.1) %	
Net income (loss) per share, assuming dilution		($0.61)	$0.52	(217.3) %	
Dividends per share		$0.105	$0.105	0.0 %	
Average shares outstanding		11,209	11,703	(4.2) %	
Average shares outstanding, assuming dilution		11,209	11,816	(5.1) %	

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JANUARY 28, 2001, JANUARY 30, 2000 AND APRIL 30, 2000
Unaudited
(Amounts in Thousands)

		Amounts		Incre (Decre
		January 28, 2001	(2) January 30, 2000	Dollars
Current assets				
Cash and cash investments	$	292	568	(276)
Accounts receivable		54,474	65,788	(11,314)
Inventories		67,156	80,874	(13,718)
Other current assets		13,706	9,016	4,690

Total current assets	135,628	156,246	(20,618)
Restricted investments	0	1,047	(1,047)
Property, plant & equipment, net	116,207	123,303	(7,096)
Goodwill	48,827	50,222	(1,395)
Other assets	2,256	6,490	(4,234)
Total assets	$ 302,918	337,308	(34,390)
Current liabilities			
Current maturities of long-term debt	$ 2,159	1,678	481
Accounts payable	27,084	35,347	(8,263)
Accrued expenses	15,417	20,878	(5,461)
Income taxes payable	0	903	(903)
Total current liabilities	44,660	58,806	(14,146)
Long-term debt	119,213	137,052	(17,839)
Deferred income taxes	17,459	14,583	2,876
Total liabilities	181,332	210,441	(29,109)
Shareholders' equity	121,586	126,867	(5,281)
Total liabilities and shareholders' equity	$ 302,918	337,308	(34,390)
Shares outstanding	11,211	11,216	(5)

(1) Derived from audited financial statements.
(2) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL
INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000
Unaudited
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 28, 2001	January 30, 2000
Cash flows from operating activities:		
Net income (loss)	$ (6,884)	6,189

Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	14,781	14,481
Amortization of intangible assets	1,196	1,197
Amortization of deferred compensation	303	180
Restructuring expense	2,504	0
Changes in assets and liabilities:		
Accounts receivable	20,749	4,715
Inventories	7,315	(13,804)
Other current assets	(3,357)	617
Other assets	226	(560)
Accounts payable	(4,536)	4,619
Accrued expenses	(8,076)	(328)
Income taxes payable	0	903
Net cash provided by operating activities	24,221	18,209
Cash flows from investing activities:		
Capital expenditures	(6,532)	(14,474)
Purchases of restricted investments	0	(35)
Sale of investments related to deferred compensation plan	4,547	0
Sale of restricted investments	0	2,328
Net cash used in investing activities	(1,985)	(12,181)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	564	8,510
Principal payments on long-term debt	(16,678)	(11,770)
Change in accounts payable-capital expenditures	(5,667)	5,041
Dividends paid	(1,177)	(1,218)
Payments to acquire common stock	0	(6,552)
Proceeds from common stock issued	7	20
Net cash used in financing activities	(22,951)	(5,969)
Increase (decrease) in cash and cash investments	(715)	59
Cash and cash investments at beginning of period	1,007	509
Cash and cash investments at end of period	$ 292	568

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
JANUARY 28, 2001

	FISCAL 00	FISCAL 01			
	Q3 (7)	Q1 (7)	Q2 (7)	Q3	Q4
INVENTORIES					
Inventory turns	4.8	4.7	5.1	4.9	

RECEIVABLES				
Days sales in receivables	49	49	52	48
Percent current & less than 30 days past due	97.1%	91.5%	94.7%	94.4%
WORKING CAPITAL				
Current ratio	2.7	3.2	2.7	3.0
Working capital turnover (4)	4.5	4.3	4.2	4.1
Operating working capital (4)	$111,315	$108,509	$106,607	$94,546
PROPERTY, PLANT & EQUIPMENT				
Depreciation rate	8.2%	8.0%	7.9%	7.5%
Percent property, plant & equipment are depreciated	49.4%	51.1%	52.6%	53.8%
Capital expenditures	$22,559 (1)	$2,289	$1,370	$2,873
PROFITABILITY				
Return on average total capital	4.8%	(0.3%)	2.7%	(6.4%)
Return on average equity	4.5%	(5.5%)	1.1%	(17.6%)
Net income (loss) per share	$0.13	($0.16)	$0.03	($0.49)
Net income (loss) per share (diluted)	$0.13	($0.16)	$0.03	($0.49)
LEVERAGE (3)				
Total liabilities/equity	165.9%	156.1%	154.6%	149.1%
Funded debt/equity	108.5%	107.3%	99.5%	99.8%
Funded debt/capital employed	52.0%	51.8%	49.9%	50.0%
Funded debt	$137,683	$136,828	$126,757	$121,372
Funded debt/EBITDA (LTM) (6)	3.13	3.44	3.57	4.28
EBITDA/Interest expense, net (LTM)	4.6	4.2	3.9	2.8
OTHER				
Book value per share	$11.31	$11.37	$11.37	$10.85
Employees at quarter end	3,938	3,722	3,623	3,486
Sales per employee (annualized)	$115,000	$108,000	$121,000	$108,000
Capital employed (3)	$264,550	$264,320	$254,198	$242,958
Effective income tax rate	25.9%	34.0%	37.9%	33.0%
EBITDA (2)	$9,715	$5,177	$8,265	($648)
EBITDA/net sales	8.6%	5.1%	7.4%	(0.7%)

(1) Expenditures for entire year.
(2) Earnings before interest, income taxes, and depreciation & amortization.
(3) Long-term debt, funded debt and capital employed are all net of restricted investments.
(4) Working capital for this calculation is accounts receivable, inventories and accounts payable.
(5) LTM represents "Latest Twelve Months"
(6) EBITDA includes capitalized interest, pro forma amounts for acquisitions and certain cash and non-cash charges, as defined by the company's credit agreement.
(7) As restated (see Restatement paragraph within Financial Narrative)

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES BY SEGMENT/DIVISION
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Segment/Division	Amounts January 28, 2001	Amounts January 30, 2000	% Over (Under)	Percent of Total Sales 2001	Percent of Total Sales 2000
Upholstery Fabrics					
Culp Decorative Fabrics	$ 40,955	49,654	(17.5) %	42.7 %	43.9 %
Culp Velvets/Prints	28,631	34,050	(15.9) %	29.9 %	30.1 %
Culp Yarn	2,711	4,274	(36.6) %	2.8 %	3.8 %
	72,297	87,978	(17.8) %	75.4 %	77.7 %
Mattress Ticking					
Culp Home Fashions	23,583	25,203	(6.4) %	24.6 %	22.3 %
*	$ 95,880	113,181	(15.3) %	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)

Segment/Division	Amounts January 28, 2001	Amounts January 30, 2000	% Over (Under)	Percent of Total Sales 2001	Percent of Total Sales 2000
Upholstery Fabrics					
Culp Decorative Fabrics	$ 129,280	157,067	(17.7) %	41.9 %	43.8 %
Culp Velvets/Prints	90,778	112,042	(19.0) %	29.4 %	31.2 %
Culp Yarn	10,164	12,761	(20.4) %	3.3 %	3.6 %
	230,222	281,870	(18.3) %	74.6 %	78.6 %
Mattress Ticking					
Culp Home Fashions	78,517	76,790	2.2 %	25.4 %	21.4 %
*	$ 308,739	358,660	(13.9) %	100.0 %	100.0 %

* U.S. sales were $77,360 and $86,359 for the third quarter of fiscal 2001 and fiscal 2000, respectively; and $246,672 and $275,699 for the nine months of fiscal 2001 and fiscal 2000, respectively. The percentage decrease in U.S. sales was 10.4% for the third quarter and a decrease of 10.5% for the nine months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 2001 AND JANUARY 30, 2000

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area		Amounts January 28, 2001	Amounts January 30, 2000	% Over (Under)	Percent of Total Sales 2001	Percent of Total Sales 2000
North America (Excluding USA)	$	8,226	8,476	(2.9)%	44.4 %	31.6 %
Europe		1,669	4,698	(64.5)%	9.0 %	17.5 %
Middle East		3,924	8,140	(51.8)%	21.2 %	30.3 %
Far East & Asia		4,277	4,422	(3.3)%	23.1 %	16.5 %
South America		147	523	(71.9)%	0.8 %	1.9 %
All other areas		277	563	(50.8)%	1.5 %	2.1 %
	$	18,520	26,822	(31.0)%	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)

Geographic Area		Amounts January 28, 2001	Amounts January 30, 2000	% Over (Under)	Percent of Total Sales 2001	Percent of Total Sales 2000
North America (Excluding USA)	$	26,177	26,064	0.4 %	42.2 %	31.4 %
Europe		4,928	13,696	(64.0)%	7.9 %	16.5 %
Middle East		14,456	24,092	(40.0)%	23.3 %	29.0 %
Far East & Asia		13,103	14,088	(7.0)%	21.1 %	17.0 %
South America		732	1,773	(58.7)%	1.2 %	2.1 %
All other areas		2,671	3,248	(17.8)%	4.3 %	3.9 %
	$	62,067	82,961	(25.2)%	100.0 %	100.0 %

International sales, and the percentage of total sales, for each of the last five fiscal years follows: fiscal 1996-$77,397 (22%); fiscal 1997-$101,571 (25%); fiscal 1998-$137,223 (29%); fiscal 1999-$113,354 (23%); and fiscal 2000-$111,104 (23%). International sales for the third quarter represented 19.3% and 23.7% for 2001 and 2000, respectively. Year-to-date international sales represented 20.1% and 23.1% of total sales 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	Fiscal 1999 Q2	Fiscal 1999 Q3	Fiscal 1999 Q4	Fiscal 1999 TOTAL	Fiscal 200 Q1	Fiscal 200 Q2	Fiscal 200 Q3

Upholstery Fabrics								
Culp Decorative Fabrics	51,445	59,573	50,520	60,520	222,058	50,516	56,897	49,654
Culp Velvets/Prints	29,994	38,728	34,949	40,402	144,073	36,209	41,783	34,050
Culp Yarn	6,596	6,367	4,088	4,462	21,513	4,129	4,358	4,274
	88,035	104,668	89,557	105,384	387,644	90,854	103,038	87,978
Mattress Ticking								
Culp Home Fashions	22,632	23,491	22,536	26,781	95,440	25,083	26,504	25,203
	110,667	128,159	112,093	132,165	483,084	115,937	129,542	113,181

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)	(4.5)	(1.7)
Culp Velvets/Prints	(21.9)	(11.8)	(20.6)	(10.3)	(15.9)	20.7	7.9	(2.6)
Culp Yarn	100.0	100.0	437.2	(37.3)	173.1	(37.4)	(31.6)	4.5
	12.6	3.9	(8.8)	(6.2)	(0.5)	3.2	(1.6)	(1.8)
Mattress Ticking								
Culp Home Fashions	6.3	5.7	11.2	13.9	9.3	10.8	12.8	11.8
	11.2	4.3	(5.4)	(2.7)	1.3	4.8	1.1	1.0
Overall Growth Rate								
Internal (without acquisitions)	(4.6)	(0.9)	(8.5)	(2.7)	(4.1)	4.8	1.1	1.0
External	15.8	5.2	3.1	-	5.4	-	-	-
	11.2	4.3	(5.4)	(2.7)	1.3	4.8	1.1	1.0

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

(Amounts in thousands)

	Fiscal 2001				
Segment/Division	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics					
Culp Decorative Fabrics	41,533	46,792	40,955		129,280
Culp Velvets/Prints	30,074	32,073	28,631		90,778
Culp Yarn	3,319	4,134	2,711		10,164

	74,926	82,999	72,297	230,222
Mattress Ticking				
Culp Home Fashions	26,952	27,982	23,583	78,517
	101,878	110,981	95,880	308,739

Percent increase(decrease) from prior year:

Segment/Division				
Upholstery Fabrics				
Culp Decorative Fabrics	(17.8)	(17.8)	(17.5)	(17.7)
Culp Velvets/Prints	(16.9)	(23.2)	(15.9)	(19.0)
Culp Yarn	(19.6)	(5.1)	(36.6)	(20.4)
	(17.5)	(19.4)	(17.8)	(18.3)
Mattress Ticking				
Culp Home Fashions	7.5	5.6	(6.4)	2.2
	(12.1)	(14.3)	(15.3)	(13.9)
Overall Growth Rate				
Internal (without acquisitions)	(12.1)	(14.3)	(15.3)	(13.9)
External	-	-	-	-
	(12.1)	(14.3)	(15.3)	(13.9)

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
for the three and nine months ended January 28, 2001 and January 30, 2000

INCOME STATEMENT COMMENTS

GENERAL - For the third quarter, net sales decreased 15.3% to $95.9 million; and the company reported a net loss of $5.5 million, or $0.49 per share diluted (based on 11,211,000 average shares outstanding) versus net income of $1.4 million, or $0.13 per share diluted (based on 11,389,000 average shares outstanding). For the first nine months of fiscal 2001, net sales decreased 13.9% to $308.7 million, and the company reported a net loss of $6.9 million, or $0.61 per share diluted (based on 11,209,000 average shares outstanding), versus net income of $6.2 million, or $0.52 per share diluted (based on 11,816,000 average shares outstanding), a year ago. The results for the third quarter and first nine months of fiscal 2001 included special charges totaling $3.2 million before taxes for restructuring actions and inventory write-downs.

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. 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 the resources in the home furnishings industry is becoming increasingly concentrated, and the company is seeking to increase its business further with existing customers. One customer accounted for approximately 12% of net sales during the third quarter of fiscal 2001. Culp is also 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 CAD systems and promotes a sharing of innovative designs among the divisions;

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; and

Additional Acquisitions - investing in selective acquisitions complementary to existing segments.

RESTRUCTURING ACTIONS - During the third quarter, 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 exceed $6.0 million, about half of which should represent non-cash items. The company recognized $3.2 million of restructuring charges and special costs in the third quarter, and most of the balance is expected to be reflected in results for the fourth fiscal period. The company expects to realize annualized cost reductions of at least $12 million when these steps are fully implemented.

NET SALES - Compared with the third quarter of fiscal 2000, upholstery fabric sales decreased 17.8% to $72.3 million and mattress ticking sales decreased 6.4% to $23.6 million (See Sales by Segment/Division schedule on Page 5 and Sales by Segment/Division - Trend Analysis on Page 7). International sales were down 31.0% for the quarter and 25.2% for the first nine months.

The company had previously announced that it expected to report a net loss for the third quarter, excluding special charges. Key factors influencing the year-to-year comparisons were continued weakness in consumer spending on home furnishings, especially in the promotional price category, and an adverse impact on exports from the strength in the U.S. dollar compared with a year ago. The slowdown in industry-wide demand also led to a decline in sales at Culp Home Fashions (primarily mattress ticking) for the third quarter. Culp's sales of mattress ticking were up for the first nine months.

The fourth fiscal quarter of the year is historically a strong period for the company's sales. Based on current trends, however, the company does not expect to report a profit for fiscal 2001 as a whole.

GROSS PROFIT - Gross profit declined 46.8% for the third quarter versus a year ago and decreased as a percentage of net sales from 16.3% to 10.3%. The decline was due principally to lower sales volume for the period which led to unfavorable cost variances in the company's upholstery fabrics operation. The company has taken steps to lower expenses by consolidating certain operations and reducing personnel, but these actions were not sufficient to offset the impact of the significantly lower sales.

SG&A EXPENSES - SG&A expenses for the third quarter increased as a percentage of sales from 12.3% to 13.0%. The dollar amount of these expenses declined 10.5% from a year ago, reflecting the company's actions to reduce expenses, but the lower-than-expected sales caused the increase in these costs as a percentage of sales.

INTEREST EXPENSE - Interest expense of $2.2 million for the third quarter was down slightly from $2.4 million in the prior year due to lower average borrowings.

OTHER EXPENSE (INCOME), NET - Other expense (income) for the third quarter totaled $811,000 compared with $229,000 in the prior year. The increase is principally due to lower investment income on assets related to the company's nonqualified deferred compensation plan.

INCOME TAXES - The effective tax rate for the nine months was 33.0% versus 32.3% in the year-earlier period.

EBITDA - Due principally to the lower earnings for the period, EBITDA for the third quarter was $(648,000) compared with $9.7 million in the prior year.

BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable as of January 28, 2001 decreased 17.2% from the year-earlier level, due principally to the lower sales for the period. Days sales outstanding declined to 48 days at January 28, 2001 compared with 49 a year ago. The aging of accounts receivable was 94.4% current and less than 30 days past due versus 97.1% a year ago. Inventories at the close of the third quarter decreased 17.0% from a year ago. Inventory turns for the third quarter were 4.9 versus 4.8 for the year-earlier period. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was $94.5 million at January 28, 2001, down from $111.3 million a year ago.

PROPERTY, PLANT AND EQUIPMENT - During fiscal 2000 the company's capital spending increased to $22.6 million compared with $10.7 million in the prior year. The level of capital spending in fiscal 2001, which was budgeted to be approximately $16 million at the start of the year, is now expected to total $8.0 million. Capital spending for fiscal 2002 is budgeted to be approximately $4.0 million. Depreciation for fiscal 2001 is estimated to be $19.5 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 50.0% at January 28, 2001 compared with 52.0% a year ago. Funded debt was $121.4 million at January 28, 2001 compared with $137.7 million a year ago. Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds. The company has completed an amended credit facility which includes terms that restrict the payment of cash dividends 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 January 28, 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 $10.0 million under the facility at the end of the third quarter.

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 sold the assets related to the nonqualified plan in order to pay the participants. The proceeds received from selling those assets resulted in recognizing gains from fiscal 1999 and 1998 totaling approximately $1.1 million. As a result, the January 30, 2000 and April 30, 2000 balance sheets were restated to properly reflect other assets and equity.

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. Over the past two fiscal years, the company has invested $12.2 million to repurchase a total of 1.8 million shares. No repurchases were made during the first nine months of fiscal 2001, and under the terms of the amended credit facility, the company is currently restricted from any stock repurchases.