



Culp, Inc. (CULP)

Expect CULP To Benefit From Ongoing Solid Demand; Fine-Tuned Quarterly Forecasts Still Imply Strong Annual EPS Gains Through F2023; Maintain Moderately Risky Rating, \$22 Price Target

	F2020		F2021		F2022E		F2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
July	\$0.16	\$0.08		\$0.18A		\$0.19		
Oct.	0.25	0.23		0.17	0.15	0.25		
Jan.	0.12	0.17		0.22		0.26		
Apr.	(0.43)	0.11		0.17	0.19	0.23		
EPS (FY)	\$0.10	\$0.59		\$0.74		\$0.93		
EPS (Cal.)	\$0.04	\$0.68	\$0.67E	\$0.87	\$0.89			
P/E (FY)				17.7x		14.1x		
P/E (Cal.)			19.6x		14.7x			

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. * Net cash includes short-term investments. Fiscal year ends the Saturday closest to April 30th. F2020 was a 53-week year; all others are 52 weeks. F2020-F2023E include \$0.03-\$0.06 in annual stock-based compensation expense. F2020 and F2021 exclude various non-recurring items (mostly asset impairment, discontinued operations and non-cash income tax charges) totaling \$2.42 and \$0.33, respectively. Sum of quarterly data may not equal full-year total due to rounding and/or changes in share count. NC=Not covered by Sidoti & Co., LLC. NM=Not Meaningful

Year	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Rev.(Mil.)	\$287.2	\$310.2	\$312.9	\$309.5	\$323.7	\$281.3	\$256.2	\$299.7	\$331.9	\$351.5
GAAP EPS*	\$1.41	\$1.21	\$1.36	\$1.78	\$1.65	\$0.50	(\$2.31)	\$0.26	\$0.74	\$0.93

* Results adjusted for the home accessories segment (eLuxury) which was acquired in 1Q:F19 and then divested in 4Q:F20.

Description: Culp, Inc. (www.culp.com) manufactures, sources, and markets mattress fabrics and sewn covers used for mattress covers, foundations and other bedding products (53% of F2021 revenue); and upholstery fabrics, which includes cut and sewn kits, mainly used in the production of upholstered furniture (47% of F2021 revenue). International sales accounted for 27% of revenue in F2021. Headquarters are in High Point, NC.

- As discussed in today's Residential Furniture Industry Update research note, we met with the senior management of Culp, Inc. at the High Point Market on Monday, October 18.
- Overall, it appears that demand for home furnishings has generally remained favorable as many consumers still have cash to spend, and there likely will be some ongoing "nesting" by consumers along with increased purchases of second/vacation homes and positive demographic trends.
- Similar to others, however, we expect CULP will be challenged by ongoing supply chain bottlenecks, increased costs for ocean shipping containers and overall inflationary pressures which we expect to be offset at least partly through price increases (though there could be some lag impact).
- All in, as we fine-tune the quarterly cadence of our estimates, we still expect EPS of \$0.74 in F2022 and maintain our F2023 EPS projection of \$0.93.
- As we see it, CULP's financials remain in solid shape with the company ending 1Q:F22 with net cash and short-term investments of \$3.01 per share.
- We estimate free cash flow per share will total \$0.30 in F2022 and \$0.71 in F2023.
- We maintain our price target of \$22, based on about 23x our F2023 EPS estimate of \$0.93.
- Given the upside potential implied by this price target, we argue that shares of Culp, Inc. remain undervalued.
- We maintain our Moderately Risky rating on CULP shares.

NR

Price Target: \$22

Price: \$13.10

Risk Rating: M

Anthony C. Lebedzinski
(212) 453-7015
(alebedzinski@sidoti.com)

Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$160
Enterprise Value	\$135
52-Week Range (NYSE)	18-12
5-Year EPS CAGR	17%
Avg. Daily Trading Volume	22,000
Shares Out (Mil)	12.203
Float Shares (Mil)	11.008
Insider Ownership	5%
Institutional Holdings	76%
Annualized Dividend	\$0.44
Dividend Yield	3.4%
FCF Per Share (F2023E)	\$0.71
FCF Yield (F2023E)	5.4%
Net Cash Per Share (F2023E)	\$3.37
Price to Book Value	1.2x
Return on Equity (F2023E)	8.6%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	0.1%
Short Interest Days To Cover	0.6
Russell 2000	2,276
Russell 2000 – Last 12 Months	41.0%
CULP – Last 12 Months	5.1%



Source: FactSet Prices

Valuation	We maintain our Moderately Risky Rating and \$22 price target on shares of Culp, Inc. Following its 52-week high of nearly \$18 in early March, shares of Culp, Inc. have declined around 27% versus an essentially flat Russell 2000 Index, which we think is overdone. While ongoing supply chain constraints and increased costs for ocean shipping containers will likely adversely impact year-over-year operating margins in the near term, we expect CULP to benefit from ongoing positive underlying demand environment. We also think the company will continue to maintain a balanced capital allocation strategy. During the past five years, shares of Culp, Inc. have traded in a range of 10x and 33x two-year forward consensus EPS estimates, with an average P/E multiple of 18x (excluding the extreme market volatility in spring 2020). Given the accelerated EPS gains that we project through F2023, along with balance sheet and cash flow strength, we argue that CULP shares should trade at a higher-than-average P/E multiple. Our \$22 price target is based on approximately 23x our F2023 EPS estimate of \$0.93.		
Key Risks	The economy and consumer spending post COVID-19	Raw material costs/availability and supply chains	Foreign exchange rate changes and geopolitical risks

CULP, INC.

Table 1: Culp, Inc. Income Statement

Fiscal year ends on the Sunday closest to April 30

Amounts in thousands of USD, except per-share data

	F2019	F2020	July	Oct.	Jan.	April	F2021	July A	Oct. E	Jan. E	April E	F2022 E	July E	Oct. E	Jan. E	April E	F2023 E
Net sales	\$ 281,325	\$ 256,166	\$ 64,464	\$ 76,851	\$ 79,341	\$ 79,063	\$ 299,719	\$ 83,047	\$ 82,899	\$ 85,316	\$ 80,592	\$ 331,855	\$ 81,817	\$ 89,375	\$ 92,312	\$ 88,014	\$ 351,518
Cost of sales	235,556	215,668	54,563	62,590	65,469	67,266	249,888	70,548	70,255	71,239	66,758	278,800	68,011	74,094	76,523	72,566	291,194
Gross profit	45,769	40,498	9,901	14,261	13,872	11,797	49,831	12,499	12,644	14,077	13,834	53,055	13,805	15,281	15,789	15,448	60,324
SG&A expenses	32,418	34,424	8,018	9,743	9,835	10,158	37,754	9,181	9,789	10,007	10,257	39,234	9,986	10,413	10,717	10,800	41,917
Restructuring (credit) expense	(825)	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset impairments	-	13,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating income from continuing operations	14,176	(7,568)	1,883	4,518	4,037	1,639	12,077	3,318	2,856	4,070	3,577	13,820	3,819	4,868	5,071	4,648	18,406
Interest expense	(35)	(106)	(51)	-	-	-	(51)	-	-	-	-	-	-	-	-	-	-
Interest income	789	897	58	59	90	36	243	74	50	53	61	237	51	54	64	66	234
Gain on bargain purchase	-	-	-	-	-	819	819	-	-	-	-	-	-	-	-	-	-
Other expense	(1,383)	(902)	(366)	(680)	(1,010)	(152)	(2,208)	(237)	(211)	(247)	(264)	(959)	(254)	(221)	(222)	(271)	(968)
Pretax income	13,547	(7,679)	1,524	3,897	3,117	2,342	10,880	3,155	2,694	3,876	3,373	13,098	3,616	4,700	4,913	4,443	17,673
Income tax expense (benefit)	6,537	3,354	4,324	1,613	899	857	7,693	905	808	1,163	1,012	3,888	1,266	1,645	1,720	1,555	6,185
Income (loss) from investment in unconsolidated joint venture	(114)	(125)	67	100	(136)	-	31	-	-	-	-	-	-	-	-	-	-
Net income from continuing operations	6,896	(11,158)	(2,733)	2,384	2,082	1,485	3,218	2,250	1,886	2,713	2,361	9,210	2,351	3,055	3,193	2,888	11,487
Loss before income taxes from discontinued operations	(726)	(17,577)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax benefit from discontinued operations	113	68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss from discontinued operations	(613)	(17,509)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income - GAAP (includes discontinued operations)	6,283	(28,667)	(2,733)	2,384	2,082	1,485	3,218	2,250	1,886	2,713	2,361	9,210	2,351	3,055	3,193	2,888	11,487
Net income from cont. ops - excluding one-time items	10,051	1,277	958	2,792	2,093	1,408	7,251	2,250	1,886	2,713	2,361	9,210	2,351	3,055	3,193	2,888	11,487
Diluted share count	12,548	12,378	12,287	12,324	12,369	12,399	12,322	12,415	12,395	12,366	12,360	12,384	12,347	12,337	12,327	12,397	12,352
Diluted EPS - GAAP (includes discontinued operations)	\$ 0.50	\$ (2.32)	\$ (0.22)	\$ 0.19	\$ 0.17	\$ 0.12	\$ 0.26	\$ 0.18	\$ 0.15	\$ 0.22	\$ 0.19	\$ 0.74	\$ 0.19	\$ 0.25	\$ 0.26	\$ 0.23	\$ 0.93
Diluted EPS from cont. ops - excluding one-time items	\$ 0.80	\$ 0.10	\$ 0.08	\$ 0.23	\$ 0.17	\$ 0.11	\$ 0.59	\$ 0.18	\$ 0.15	\$ 0.22	\$ 0.19	\$ 0.74	\$ 0.19	\$ 0.25	\$ 0.26	\$ 0.23	\$ 0.93
Cash dividend per share	\$ 0.380	\$ 0.410	\$ 0.105	\$ 0.105	\$ 0.110	\$ 0.110	\$ 0.430	\$ 0.110	\$ 0.110	\$ 0.115	\$ 0.115	\$ 0.450	\$ 0.115	\$ 0.115	\$ 0.120	\$ 0.120	\$ 0.470
Margin analysis																	
Gross margin	16.3%	15.8%	15.4%	18.6%	17.5%	14.9%	16.6%	15.1%	15.3%	16.5%	17.2%	16.0%	16.9%	17.1%	17.1%	17.6%	17.2%
SG&A expenses as a % of sales	11.5%	13.4%	12.4%	12.7%	12.4%	12.8%	12.6%	11.1%	11.8%	11.7%	12.7%	11.8%	12.2%	11.7%	11.6%	12.3%	11.9%
Operating margin	5.0%	-3.0%	2.9%	5.9%	5.1%	2.1%	4.0%	4.0%	3.4%	4.8%	4.4%	4.2%	4.7%	5.4%	5.5%	5.3%	5.2%
Effective tax rate	48.3%	-43.7%	283.7%	41.4%	28.8%	36.6%	70.7%	28.7%	30.0%	30.0%	30.0%	29.7%	35.0%	35.0%	35.0%	35.0%	35.0%
Net margin, excl. one-time items	3.6%	0.5%	1.5%	3.6%	2.6%	1.8%	2.4%	2.7%	2.3%	3.2%	2.9%	2.8%	2.9%	3.4%	3.5%	3.3%	3.3%
Year-over-year % change																	
Total revenue	-13.1%	-8.9%	-8.8%	10.5%	15.8%	66.9%	17.0%	28.8%	7.9%	7.5%	1.9%	10.7%	-1.5%	7.8%	8.2%	9.2%	5.9%
Gross profit	-29.2%	-11.5%	-20.2%	5.4%	20.4%	287.4%	23.0%	26.2%	-11.3%	1.5%	17.3%	6.5%	10.5%	20.9%	12.2%	11.7%	13.7%
SG&A expenses	-12.8%	6.2%	-12.4%	6.9%	11.4%	38.6%	9.7%	14.5%	0.5%	1.8%	1.0%	3.9%	8.8%	6.4%	7.1%	5.3%	6.8%
Operating income	-48.4%	-153.4%	-42.9%	2.5%	48.2%	NM	NM	76.2%	-36.8%	0.8%	118.2%	14.4%	15.1%	70.5%	24.6%	29.9%	33.2%
Pretax income	-49.6%	-156.7%	-56.0%	-14.3%	15.4%	NM	NM	107.0%	-30.9%	24.3%	44.0%	20.4%	14.6%	74.4%	26.8%	31.7%	34.9%
Net Income, excl. one-time items	-46.6%	-87.3%	-52.4%	-8.2%	36.6%	NM	467.8%	134.9%	-32.4%	29.6%	67.7%	27.0%	4.5%	62.0%	17.7%	22.3%	24.7%
Diluted EPS, excl. one-time items	-46.3%	-87.1%	-51.9%	-7.5%	37.2%	NM	470.4%	132.4%	-32.8%	29.6%	68.2%	26.4%	5.0%	62.7%	18.1%	21.9%	25.0%

Sources: Company reports and Sidoti & Company, LLC estimates; Results exclude the home accessories segment (eLuxury) which was acquired in 1Q:F19 and then divested in 4Q:F20. Adjusted F2019 net income and 4Q:F20 adjusted loss assume a 35% effective tax rate

CULP, INC.

Table 2: Culp, Inc. Statement of Cash Flows
 Fiscal year ends on the Sunday closest to April 30
 Amounts in thousands of USD, except per-share data

	F2019	July	Oct.	Jan.	April	F2020	July	Oct.	Jan.	April	F2021	July A	F2022 E	F2023 E
Cash flows from operating activities:														
Net (loss) income	\$ 5,458	\$ 1,174	\$ 2,192	\$ (4,207)	\$ (27,826)	\$ (28,667)	\$ (2,733)	\$ 2,384	\$ 2,082	\$ 1,485	\$ 3,218	\$ 2,250	\$ 9,210	\$ 11,487
Adjustments to reconcile net (loss) income to net cash provided by operating activities:														
Depreciation	8,117	1,905	1,988	1,987	1,947	7,827	1,822	1,716	1,665	1,643	6,846	1,726	7,038	7,256
Amortization	780	176	177	177	117	647	118	117	115	116	466	121	401	350
Asset impairments	-	-	-	13,639	20,275	33,914	-	-	-	-	-	-	-	-
Reversal of contingent consideration related to discontinued operation	-	-	-	(6,081)	-	(6,081)	-	-	-	-	-	-	-	-
Loss on disposal of discontinued operation	-	-	-	-	1,606	1,606	-	-	-	-	-	-	-	-
Stock-based compensation	130	154	313	364	(217)	614	126	348	292	485	1,251	274	1,376	1,500
Deferred income taxes	2,027	(662)	715	(1,679)	(68)	(1,694)	3,693	726	(541)	(118)	3,760	(323)	1,255	1,669
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	(819)	(819)	-	-	-
Gain on sale of property, plant, and equipment	(1,452)	(17)	(76)	(182)	37	(238)	-	-	-	(57)	(57)	-	-	-
Realized loss on short-term investments available for sale	94	-	-	-	10	10	-	6	-	(12)	(6)	-	-	-
Income from investment in unconsolidated joint venture	114	(13)	16	56	66	125	(67)	(100)	136	-	(31)	-	-	-
Foreign currency exchange loss (gain)	(17)	(47)	(59)	91	124	109	154	569	831	(34)	1,520	3	-	-
Changes in assets and liabilities:														
Accounts receivable	2,339	(375)	(460)	(2,050)	891	(1,994)	(4,757)	(2,906)	(3,288)	(1,166)	(12,117)	2,715	(3,328)	(2,433)
Inventories	3,841	(25)	(4,772)	(2,219)	6,179	(837)	7,592	(6,990)	(9,669)	1,842	(7,225)	(2,676)	(4,877)	(3,602)
Other current assets	41	161	(192)	(496)	869	342	(1,254)	79	466	(733)	(1,442)	(39)	(249)	(562)
Other assets	(65)	111	22	26	(207)	(48)	(24)	(16)	(17)	(1,395)	(1,452)	(556)	(132)	(297)
Accounts payable	(3,427)	(1,468)	5,032	(6,039)	2,974	499	2,544	11,612	5,459	(2,387)	17,228	2,723	832	(1,402)
Deferred revenue	(410)	285	(309)	23	104	103	183	(310)	(147)	312	38	154	155	74
Accrued expenses, deferred compensation and other, net	(1,492)	222	1,398	(1,078)	(1,559)	(1,017)	2,377	3,642	1,901	1,537	9,457	(4,336)	2,134	2,194
Accrued restructuring costs	124	(82)	(7)	(35)	-	(124)	-	-	-	-	-	-	-	-
Income taxes	(2,329)	524	246	(1,063)	167	(126)	807	1,245	(337)	(872)	843	(465)	278	558
Net cash provided by operating activities	13,873	2,023	6,224	(8,766)	5,489	4,970	10,581	12,122	(1,052)	(173)	21,478	1,571	14,094	16,792
Cash flows from investing activities:														
Capital expenditures	(3,261)	(935)	(1,475)	(1,662)	(513)	(4,585)	(500)	(1,541)	(2,279)	(2,344)	(6,664)	(1,953)	(10,400)	(8,000)
Net cash paid for acquisition of assets	(12,096)	-	-	-	-	-	-	-	-	(892)	(892)	-	-	-
Proceeds from the sale of property, plant, and equipment	-	209	154	309	-	672	-	12	-	-	12	-	-	-
Proceeds from long-term note receivable associated with discontinued operations	1,894	-	-	-	1,523	1,523	-	-	-	-	-	-	-	-
Investment in unconsolidated joint venture	(120)	-	-	-	(220)	(220)	(90)	-	-	-	(90)	-	-	-
Proceeds (purchases) of short-term and long-term investments (Held to Maturity), net	25,680	5,000	-	(5,397)	(968)	(1,365)	(73)	628	(4,545)	5,982	1,992	(4,006)	(59)	(205)
Proceeds (purchases) of short-term investments (Available for Sale), net	2,448	-	-	(7,532)	6,583	(949)	(34)	(4,521)	(26)	5	(4,576)	(4,031)	(259)	(200)
Proceeds (payments) for life insurance policy, net	394	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds (purchases) of long-term investments (Rabbi Trust), net	222	(259)	(220)	(228)	(81)	(788)	(39)	(141)	(141)	(141)	(462)	(403)	(135)	(135)
Net cash (used in) provided by investing activities	15,161	4,015	(1,541)	(14,510)	6,324	(5,712)	(736)	(5,563)	(6,991)	2,610	(10,680)	(10,393)	(10,853)	(8,540)
Cash flows from financing activities:														
Proceeds (Payments) associated with lines of credit, net	-	-	-	-	30,765	30,765	(30,772)	-	-	-	(30,772)	-	-	-
Payments associated with Paycheck Protection Program Loan	-	-	-	-	7,606	7,606	(7,606)	-	-	-	(7,606)	-	-	-
Proceeds (Payments) on long-term debt, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments on vendor-financed capital expenditures	(1,412)	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from subordinated loan payable associated with the noncontrolling interest of discontinued operation	675	250	-	-	-	250	-	-	-	-	-	-	-	-
Cash paid for acquisition of business	-	(763)	(769)	-	-	(1,532)	-	-	-	-	-	-	-	-
Dividends paid	(4,732)	(1,241)	(1,241)	(1,304)	(1,289)	(5,075)	(1,291)	(1,292)	(1,354)	(1,355)	(5,292)	(1,356)	(5,573)	(5,805)
Repurchases of common stock	(3,323)	-	-	(728)	(952)	(1,680)	-	-	-	-	-	(723)	(2,500)	(2,500)
Common stock surrendered for withholding taxes payable, net	(1,319)	(44)	(7)	-	-	(51)	-	(25)	-	-	(25)	(50)	(50)	-
Capital contribution associated with the noncontrolling interest of discontinued operation	-	40	320	-	(360)	-	-	-	-	-	-	-	-	-
Payments of debt issuance costs	(50)	-	-	-	360	360	(15)	-	-	-	(15)	-	-	-
Net cash used in financing activities	(10,161)	(1,758)	(1,697)	(2,032)	36,130	30,643	(39,684)	(1,317)	(1,354)	(1,355)	(43,710)	(2,129)	(8,123)	(8,305)
Effect of exchange rate changes on cash and cash equivalents	(93)	(52)	(39)	(3)	(25)	(119)	35	60	96	(60)	131	3	120	105
(Decrease) increase in cash and cash equivalents	18,780	4,228	2,947	(25,311)	47,918	29,782	(29,804)	5,302	(9,301)	1,022	(32,781)	(10,948)	(4,762)	52
Cash and cash equivalents at beginning of year	21,228	40,008	44,236	47,183	21,872	40,008	69,790	39,986	45,288	35,987	69,790	37,009	37,009	32,247
Cash and cash equivalents at end of period	\$ 40,008	\$ 44,236	\$ 47,183	\$ 21,872	\$ 69,790	\$ 69,790	\$ 39,986	\$ 45,288	\$ 35,987	\$ 37,009	\$ 37,009	\$ 26,061	\$ 32,247	\$ 32,299
Free cash flow (cash from operations less cap-ex)	10,612	1,088	4,749	(10,428)	4,976	385	10,081	10,581	(3,331)	(2,517)	14,814	(382)	3,694	8,792
Free cash flow per share	\$ 0.85	\$ 0.09	\$ 0.38	\$ (0.84)	\$ 0.40	\$ 0.03	\$ 0.82	\$ 0.86	\$ (0.27)	\$ (0.20)	\$ 1.20	\$ (0.03)	\$ 0.30	\$ 0.71

Sources: Company reports and Sidoti & Company, LLC estimates; Results exclude the home accessories segment (eLuxury) which was acquired in 1Q:F19 and then divested in 4Q:F20.

CULP, INC.

Table 3: Culp, Inc. Balance Sheet
Fiscal year ends on the Sunday closest to April 30
Amounts in thousands of USD, except per-share data

	F2019	July	Oct.	Jan.	F2020	July	Oct.	Jan.	F2021	July A	F2022 E	F2023 E
Current assets:												
Cash and cash equivalents	\$ 40,008	\$ 44,236	\$ 46,955	\$ 21,640	\$ 69,790	\$ 39,986	\$ 45,288	\$ 35,987	\$ 37,009	\$ 26,061	\$ 32,247	\$ 32,299
Short-term investments - Held-To-Maturity	-	-	-	3,171	4,271	5,092	5,005	9,785	3,161	1,661	3,340	3,495
Short-term investments - Available for Sale	5,001	-	-	7,580	923	983	5,462	5,548	5,542	9,698	5,801	6,001
Accounts receivable, net	23,373	23,661	23,890	25,848	25,093	29,893	32,960	36,397	37,726	35,008	41,054	43,487
Inventories	47,564	47,593	51,443	54,009	47,907	40,402	47,726	57,794	55,917	58,613	60,794	64,396
Current income taxes receivable	776	776	776	776	1,585	782	-	-	-	524	-	-
Current assets - Discontinued operation	3,707	3,557	4,760	4,738	-	-	-	-	-	-	-	-
Other current assets	2,816	2,617	2,745	3,112	2,116	3,547	3,509	3,116	3,852	3,889	4,101	4,663
Total current assets	123,245	122,440	130,569	120,874	151,685	120,685	139,950	148,627	143,207	135,454	147,337	154,341
Property, plant & equipment, net	46,479	45,475	45,221	44,652	43,147	42,051	41,599	42,385	44,003	43,930	47,365	48,109
Goodwill	13,569	13,569	13,569	13,569	-	-	-	-	-	-	-	-
Intangible assets	3,899	3,805	3,711	3,617	3,380	3,286	3,192	3,098	3,004	2,910	2,603	2,253
Long-term investments - Rabbi Trust	7,081	7,347	7,575	7,804	7,834	7,916	8,060	8,232	8,415	8,841	8,550	8,685
Long-term investments - Held-To-Maturity	-	-	-	2,224	2,076	1,314	759	512	1,141	6,629	1,021	1,071
Right of use asset	-	5,488	4,883	4,574	3,903	6,443	6,165	6,206	11,730	11,447	14,530	14,635
Noncurrent income taxes receivable	733	733	733	733	-	-	-	-	-	-	-	-
Deferred income taxes	457	486	511	920	793	593	645	640	545	455	696	714
Investment in unconsolidated joint venture	1,508	1,520	1,504	1,668	1,602	1,759	1,859	1,723	-	-	-	-
Long-term note receivable affiliated with discontinued operation	830	1,800	1,800	1,800	-	-	-	-	-	-	-	-
Noncurrent assets - Discontinued operation	22,112	23,058	22,950	9,241	-	-	-	-	-	-	-	-
Other assets	643	526	496	464	664	540	547	555	2,035	2,582	2,167	2,464
Total assets	220,556	226,247	233,522	212,140	215,084	184,587	202,776	211,978	214,080	212,248	224,269	232,272
Current liabilities:												
Line of credit - China operations	-	-	-	-	1,015	-	-	-	-	-	-	-
Paycheck Protection Program Loan	-	-	-	-	7,606	-	-	-	-	-	-	-
Accounts payable - trade	22,734	21,855	26,336	20,422	23,002	25,746	38,247	44,946	42,540	45,285	43,337	41,938
Accounts payable - capital expenditures	68	50	398	175	107	333	68	240	348	48	383	380
Operating lease liability - current	-	2,270	2,090	2,033	1,805	2,387	2,316	2,273	2,736	2,727	2,748	2,750
Deferred revenue	399	684	375	398	502	685	375	228	540	694	695	769
Accrued expenses	8,632	8,104	8,263	7,257	5,687	7,852	11,684	13,574	14,839	9,950	16,432	17,406
Accrued restructuring costs	124	42	35	-	-	-	-	-	-	-	-	-
Current liabilities - Discontinued operation	2,213	1,431	1,907	2,094	-	-	-	-	-	-	-	-
Income taxes payable - current	1,022	1,116	1,539	455	395	613	1,413	1,129	229	253	291	364
Total current liabilities	35,192	35,552	40,943	32,834	40,119	37,616	54,103	62,390	61,232	58,957	63,887	63,607
Line of credit - U.S. operations	-	-	-	-	29,750	-	-	-	-	-	-	-
Accrued expenses - long-term	333	333	333	233	167	117	-	-	-	-	-	-
Operating lease liability - long-term	-	3,081	2,614	2,384	2,016	4,214	4,008	4,179	6,821	6,665	9,729	9,937
Contingent consideration affiliated with discontinued operation	5,856	5,931	6,006	-	-	-	-	-	-	-	-	-
Income taxes payable - long-term	3,249	3,640	3,442	3,442	3,796	3,591	3,325	3,325	3,326	3,365	3,541	4,026
Deferred income taxes	3,176	2,543	3,283	2,013	1,818	5,311	6,089	5,543	5,330	4,917	6,736	8,423
Deferred compensation	6,998	7,232	7,429	7,637	7,720	7,869	8,000	8,179	8,365	8,795	8,906	10,126
Noncurrent liabilities - Discontinued operation	1,505	3,599	3,550	3,501	-	-	-	-	-	-	-	-
Total liabilities	56,309	61,911	67,600	52,044	85,386	58,718	75,525	83,616	85,074	82,699	92,800	96,120
Shareholders' equity												
Shareholders' equity attributable to Culp Inc.	159,933	160,146	161,520	159,843	129,698	125,869	127,251	128,362	129,006	129,549	131,470	136,151
Non-controlling interest - Discontinued Operation	4,314	4,190	4,402	253	-	-	-	-	-	-	-	-
Total liabilities and shareholders' equity	220,556	226,247	233,522	212,140	215,084	184,587	202,776	211,978	214,080	212,248	224,269	232,272

Sources: Company reports and Sidoti & Company, LLC estimates; Results exclude the home accessories segment (eLuxury) which was acquired in 1Q:F19 and then divested in 4Q:F20.

Return on average equity	4.3%	4.3%	3.9%	2.5%	NM	NM	NM	NM	2.5%	6.3%	7.1%	8.6%
Return on average assets	3.1%	3.1%	2.7%	1.8%	NM	NM	NM	NM	1.5%	4.1%	4.2%	5.0%
Return on invested capital	4.3%	4.3%	3.9%	2.5%	NM	NM	NM	NM	2.5%	6.3%	7.0%	8.4%
Book value per share (fully diluted)	\$ 12.75	\$ 12.90	\$ 13.02	\$ 12.87	\$ 10.48	\$ 10.24	\$ 10.33	\$ 10.38	\$ 10.47	\$ 10.43	\$ 10.62	\$ 11.02
Tangible book value per share (fully diluted)	\$ 11.35	\$ 11.50	\$ 11.62	\$ 11.49	\$ 10.21	\$ 9.98	\$ 10.07	\$ 10.13	\$ 10.23	\$ 10.20	\$ 10.41	\$ 10.84
Net cash and short-term investments (debt)/share	\$ 3.58	\$ 3.56	\$ 3.72	\$ 2.56	\$ 2.92	\$ 3.70	\$ 4.50	\$ 4.09	\$ 3.68	\$ 3.01	\$ 3.36	\$ 3.37
Current ratio	3.5	3.4	3.2	3.7	3.8	3.2	2.6	2.4	2.3	2.3	2.3	2.4
Total debt to total capital	0.0%	0.0%	0.0%	0.0%	22.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Days sales outstanding (DSO)	32	30	31	34	34	37	33	35	38	35	43	43
Inventory turnover (COGS/ avg. invtry.)	4.7	4.6	4.5	4.2	4.5	4.8	4.4	4.1	4.8	5.4	4.8	4.7

Sources: Company reports and Sidoti & Company LLC estimates; NM = Not Meaningful

Appendix
Required Disclosures

Required Disclosures

Culp, Inc. (CULP-\$13.10) NR Price Target: \$22 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	5/13/21	14.3	NR	20	M
PT	6/10/21	17.3		20	
PT	6/17/21	17.1		22	
PT	8/24/21	13.9		22	
PT	9/2/21	13.3		22	



Valuation	<p>We maintain our Moderately Risky Rating and \$22 price target on shares of Culp, Inc. Following its 52-week high of nearly \$18 in early March, shares of Culp, Inc. have declined around 27% versus an essentially flat Russell 2000 Index, which we think is overdone. While ongoing supply chain constraints and increased costs for ocean shipping containers will likely adversely impact year-over-year operating margins in the near term, we expect CULP to benefit from ongoing positive underlying demand environment. We also think the company will continue to maintain a balanced capital allocation strategy. During the past five years, shares of Culp, Inc. have traded in a range of 10x and 33x two-year forward consensus EPS estimates, with an average P/E multiple of 18x (excluding the extreme market volatility in spring 2020). Given the accelerated EPS gains that we project through F2023, along with balance sheet and cash flow strength, we argue that CULP shares should trade at a higher-than-average P/E multiple. Our \$22 price target is based on approximately 23x our F2023 EPS estimate of \$0.93.</p>		
Key Risks	The economy and consumer spending post COVID-19	Raw material costs/availability and supply chains	Foreign exchange rate changes and geopolitical risks

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and

utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “*Moderately Risky*” (M) and “*Highly Risky*” (H) ratings. “*Moderately Risky*” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “*Highly Risky*” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 10/20/21 and immediately prior to the publication of this report, Company Sponsored Research provides research on 28 companies, of which 24 (85.7%) are rated Moderately Risky and 4 (14.3%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee of \$3,500 to \$5,500 per conference to presenting companies depending on the event. Sidoti does not currently have a

current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for brokerage commission revenue in connection with market trading the securities of this company. Sidoti & Company, LLC has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Sidoti & Company, LLC analysts. These non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Sidoti & Company, LLC. CULP has paid a fee to Sidoti & Company, LLC to participate at the January 2021 Virtual Investor Conference. CULP has paid a fee to Sidoti & Company, LLC to participate at the June 2021 Virtual Investor Conference.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. Anthony C. Lebieczinski certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

Source

Key Statistics data is sourced from FactSet Research Systems