

CULP INC  
Form 10-Q  
December 10, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2010  
Commission File No. 1-12597

CULP, INC.  
(Exact name of registrant as specified in its charter)

NORTH CAROLINA  
(State or other jurisdiction of  
incorporation or other organization)

56-1001967  
(I.R.S. Employer Identification No.)

1823 Eastchester Drive  
High Point, North Carolina  
(Address of principal executive offices)

27265-1402  
(zip code)

(336) 889-5161  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for at least the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period after the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer, large accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one);

Large accelerated filer  Accelerated filer  Non-accelerated filer

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Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  YES  NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common shares outstanding at October 31, 2010: 13,198,939  
Par Value: \$0.05 per share

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## Item 1. Financial Statements

CULP, INC.

## CONSOLIDATED STATEMENTS OF NET INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2010 AND NOVEMBER 1, 2009

(UNAUDITED)

(Amounts in Thousands, Except for Per Share Data)

## THREE MONTHS ENDED

	Amounts			Percent of Sales				
	October 31, 2010	November 1, 2009	% Over (Under)		October 31, 2010		November 1, 2009	
Net sales	\$48,879	49,716	(1.7 )%		100.0 %		100.0 %	
Cost of sales	41,270	40,582	1.7 %		84.4 %		81.6 %	
Gross profit	7,609	9,134	(16.7 )%		15.6 %		18.4 %	
Selling, general and administrative expenses	4,202	5,385	(22.0 )%		8.6 %		10.8 %	
Restructuring credit	-	(184 )	N.M.		0.0 %		(0.4 )%	
Income from operations	3,407	3,933	(13.4 )%		7.0 %		7.9 %	
Interest expense	225	342	(34.2 )%		0.5 %		0.7 %	
Interest income	(49 )	(16 )	206.3 %		(0.1 )%		(0.0 )%	
Other expense	30	103	(70.9 )%		0.1 %		0.2 %	
Income before income taxes	3,201	3,504	(8.6 )%		6.5 %		7.0 %	
Income taxes *	(801 )	625	N.M.		(25.0 )%		17.8 %	
Net income	\$4,002	2,879	39.0 %		8.2 %		5.8 %	
Net income per share, basic	\$0.31	0.23	34.8 %					
Net income per share, diluted	\$0.30	0.22	36.4 %					
Average shares outstanding, basic	12,932	12,671	2.1 %					
Average shares outstanding, diluted	13,167	12,852	2.5 %					

## SIX MONTHS ENDED

	Amounts			Percent of Sales				
	October 31, 2010	November 1, 2009	% Over (Under)		October 31, 2010		November 1, 2009	
Net sales	\$ 104,791	95,193	10.1 %		100.0 %		100.0 %	
Cost of sales	87,473	78,473	11.5 %		83.5 %		82.4 %	

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Gross profit	17,318	16,720	3.6 %	16.5 %	17.6 %
Selling, general and administrative expenses	9,416	10,280	(8.4 )%	9.0 %	10.8 %
Restructuring credit	(8 )	(343 )	N.M.	(0.0 )%	(0.4 )%
Income from operations	7,910	6,783	16.6 %	7.5 %	7.1 %
Interest expense	435	699	(37.8 )%	0.4 %	0.7 %
Interest income	(87 )	(28 )	210.7 %	(0.1 )%	(0.0 )%
Other expense	83	617	(86.5 )%	0.1 %	0.6 %
Income before income taxes	7,479	5,495	36.1 %	7.1 %	5.8 %
Income taxes *	(270 )	740	N.M.	(3.6 )%	13.5 %
Net income	\$ 7,749	4,755	63.0 %	7.4 %	5.0 %
Net income per share, basic	\$ 0.60	0.38	57.9 %		
Net income per share, diluted	\$ 0.59	0.37	59.5 %		
Average shares outstanding, basic	12,901	12,662	1.9 %		
Average shares outstanding, diluted	13,186	12,804	3.0 %		

\*Percent of sales column for income taxes is calculated as a % of income before income taxes.

See accompanying notes to consolidated financial statements.

CULP, INC.  
CONSOLIDATED BALANCE SHEETS  
OCTOBER 31, 2010, NOVEMBER 1, 2009 AND MAY 2, 2010  
(UNAUDITED)  
(Amounts in Thousands)

	Amounts		Increase		
	October 31, 2010	November 1, 2009	(Decrease) Dollars	Percent	* May 2, 2010
Current assets:					
Cash and cash equivalents	\$ 15,262	19,575	(4,313 )	(22.0 ) %	18,295
Short-term investments	4,035	-	4,035	100.0 %	3,023
Accounts receivable	14,810	16,771	(1,961 )	(11.7 ) %	19,822
Inventories	29,435	21,834	7,601	34.8 %	26,002
Deferred income taxes	176	58	118	203.4 %	150
Assets held for sale	123	160	(37 )	(23.1 ) %	123
Income taxes receivable	477	384	93	24.2 %	728
Other current assets	1,234	972	262	27.0 %	1,698
Total current assets	65,552	59,754	5,798	9.7 %	69,841
Property, plant and equipment, net	31,225	24,795	6,430	25.9 %	28,403
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	1,391	-	1,391	100.0 %	324
Other assets	2,278	2,769	(491 )	(17.7 ) %	2,568
Total assets	\$ 111,908	98,780	13,128	13.3 %	112,598
Current liabilities:					
Current maturities of long-term debt	\$ 2,396	4,863	(2,467 )	(50.7 ) %	196
Current portion of obligation under a capital lease	-	280	(280 )	(100.0 ) %	-
Accounts payable-trade	17,992	16,416	1,576	9.6 %	22,278
Accounts payable - capital expenditures	253	377	(124 )	(32.9 ) %	567
Accrued expenses	5,665	6,455	(790 )	(12.2 ) %	9,613
Accrued restructuring costs	287	345	(58 )	(16.8 ) %	324
Income taxes payable - current	90	329	(239 )	(72.6 ) %	224
Total current liabilities	26,683	29,065	(2,382 )	(8.2 ) %	33,202
Accounts payable - capital expenditures	-	188	(188 )	(100.0 ) %	-
Income taxes payable - long-term	3,890	3,603	287	8.0 %	3,876
Deferred income taxes	622	1,078	(456 )	(42.3 ) %	982
Long-term debt, less current maturities	9,209	11,568	(2,359 )	(20.4 ) %	11,491
Total liabilities	40,404	45,502	(5,098 )	(11.2 ) %	49,551

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Commitments and Contingencies (Note 18)

Shareholders' equity	71,504	53,278	18,226	34.2	%	63,047
Total liabilities and shareholders' equity	\$ 111,908	98,780	13,128			