CULP INC Form 10-Q December 09, 2016

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 30, 2016 Commission File No. 1-12597

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA 56-1001967

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or other organization)

1823 Eastchester Drive

**High Point, North Carolina** 27265-1402 (Address of principal executive offices) (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);

**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 30, 2016: 12,311,756

Par Value: \$0.05 per share

# INDEX TO FORM 10-Q

For the period ended October 30, 2016

# **Page**

### Part I - Financial Statements

<u>Item 1. Financial Statements: (Unaudited)</u>	
Consolidated Statements of Net Income — Three and Six Months Ended October 30, 2016 and November 1, 20	)1 <b>5</b> -1
Consolidated Statements of Comprehensive Income – Three and Six Months Ended October 30, 2016 and November 1, 2015	<u>I-2</u>
Consolidated Balance Sheets — October 30, 2016, November 1, 2015, and May 1, 2016	<u>I-3</u>
Consolidated Statements of Cash Flows — Six Months Ended October 30, 2016 and November 1, 2015	<u>I-4</u>
Consolidated Statements of Shareholders' Equity	<u>I-5</u>
Notes to Consolidated Financial Statements	<u>I-6</u>
Cautionary Statement Concerning Forward-Looking Information	<u>I-28</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>I-29</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>-</u> <u>I-46</u>
Item 4. Controls and Procedures	<u>I-46</u>
Part II - Other Information	
Item 1. Legal Proceedings Item 1A. Risk Factors	<u>II-1</u> <u>II-1</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>II-1</u>
Item 6. Exhibits	<u>II-2</u>
<u>Signatures</u>	<u>II-3</u>

<u>Item</u>

<u>1:</u>

**Financial** 

**Statements** 

CULP, INC.

CONSOLIDATED

**STATEMENTS** 

OF NET

**INCOME** 

FOR THE THREE

AND SIX

**MONTHS** 

**ENDED** 

OCTOBER 30,

2016 AND

NOVEMBER 1,

2015

**UNAUDITED** 

(Amounts in

Thousands, Except

for Per Share

Data)

#### THREE MONTHS ENDED

	October 30, 2016	November 1, 2015
Net sales	\$ 75,343	76,956
Cost of sales	58,442	61,223
Gross profit	16,901	15,733
Selling, general and		
administrative expenses	9,602	9,433
Income from operations	7,299	6,300
Interest income	(15	) (69 )
Other expense	155	225
Income before income taxes	7,159	6,144
Income taxes	2,684	2,373
Net income	\$ 4,475	3,771
Net income per share, basic	\$ 0.36	0.31
Net income per share, diluted	0.36	0.30
Average shares outstanding, basic	12,308	12,343
Average shares outstanding, diluted	12,507	12,484
11voluge shares outstanding, diluted	12,507	14, 101

SIX MONTHS ENDED

Edgar Filing: CULP INC - Form 10-Q

	October 30, 2016	November 1, 2015
Net sales Cost of sales Gross profit	\$ 156,026 120,705 35,321	157,141 125,206 31,935
Selling, general and administrative expenses Income from operations	19,348 15,973	18,175 13,760
Interest income Other expense Income before income taxes	(40 ) 307 15,706	(112 ) 320 13,552
Income taxes Net income	5,917 \$ 9,789	5,081 8,471
Net income per share, basic Net income per share, diluted Average shares outstanding, basic Average shares outstanding, diluted	\$ 0.80 0.78 12,297 12,495	0.69 0.68 12,310 12,481

See accompanying notes to consolidated financial statements.

I-1

### CULP, INC.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015 (UNAUDITED)

(AMOUNTS IN THOUSANDS)

	THREE MONTHS ENDED		
	October 30, 2016	November 1, 2015	
Net income	\$4,475	\$3,771	
Other comprehensive income (loss)			
Unrealized gains (losses) on investments			
Unrealized holding gains (losses) on investments	4	(29	)
Reclassification adjustment for realized loss included in net income	-	56	
Total other comprehensive income	4	27	
Comprehensive income	\$4,479	\$3,798	
	SIX MONTHS ENDED		
	October 30, 2016	November 1, 2015	
Net income	\$9,789	\$8,471	
Other comprehensive gain (loss)			
Unrealized gains (losses) on investments			
Unrealized holding gains (losses) on investments	88	(118	)
Reclassification adjustment for realized loss included in net income			