

CULP INC
Form 10-Q
March 07, 2014

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 January 26, 2014
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. x YES o 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). x YES o 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 o

Accelerated filer x

Non-accelerated filer o

Smaller Reporting Company o

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

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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 January 26, 2014: 12,250,030
Par Value: \$0.05 per share

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Item 1: Financial Statements

CULP, INC.
 CONSOLIDATED STATEMENTS OF NET INCOME
 FOR THE THREE AND NINE MONTHS ENDED JANUARY 26, 2014 AND JANUARY 27, 2013
 UNAUDITED
 (Amounts in Thousands, Except for Per Share Data)

		THREE MONTHS ENDED	
		January 26, 2014	January 27, 2013
Net sales		\$ 72,389	63,695
Cost of sales		60,552	52,010
	Gross profit	11,837	11,685
Selling, general and administrative expenses		7,041	6,822
	Income from operations	4,796	4,863
Interest expense		91	145
Interest income		(148)	(105)
Other expense		279	300
	Income before income taxes	4,574	4,523
Income taxes		(3,807)	1,700
	Net income	\$ 8,381	2,823
Net income per share, basic		\$ 0.69	0.23
Net income per share, diluted		0.68	0.23
Average shares outstanding, basic		12,188	12,095
Average shares outstanding, diluted		12,405	12,290

		NINE MONTHS ENDED	
		January 26, 2014	January 27, 2013
Net sales		\$ 213,119	198,439
Cost of sales		175,974	161,757
	Gross profit	37,145	36,682
Selling, general and administrative expenses		21,340	21,672

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	Income from operations	15,805	15,010
Interest expense		330	491
Interest income		(343)	(328)
Other expense		895	421
	Income before income taxes	14,923	14,426
Income taxes		216	(188)
	Net income	\$ 14,707	14,614
Net income per share, basic		\$ 1.21	1.19
Net income per share, diluted		1.19	1.17
Average shares outstanding, basic		12,173	12,279
Average shares outstanding, diluted		12,405	12,467

See accompanying notes to consolidated financial statements.

CULP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED JANUARY 26, 2014 AND JANUARY 27, 2013
(UNAUDITED)

	THREE MONTHS ENDED	
	January 26, 2014	January 27, 2013
Net income	\$ 8,381	\$ 2,823
Other comprehensive loss		
Unrealized losses on short-term investments	(14)	(34)
Total other comprehensive loss	(14)	(34)
Comprehensive income	\$ 8,367	\$ 2,789

	NINE MONTHS ENDED	
	January 26, 2014	January 27, 2013
Net income	\$ 14,707	\$ 14,614
Other comprehensive (loss) income		
Unrealized (losses) gains on short-term investments	(128)	10
Total other comprehensive (loss) income	(128)	10
Comprehensive income	\$ 14,579	\$ 14,624

See accompanying notes to consolidated financial statements.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 26, 2014, JANUARY 27, 2013 AND APRIL 28, 2013
UNAUDITED
(Amounts in Thousands)

	January 26, 2014	January 27, 2013	* April 28, 2013
Current assets:			
Cash and cash equivalents	\$ 23,293	19,489	23,530
Short-term investments	7,077	5,237	5,286
Accounts receivable, net	26,392	24,257	23,392
Inventories	43,687	42,177	38,418
Deferred income taxes	7,503	4,098	7,709
Income taxes receivable	-	-	318
Other current assets	2,999	1,655	2,093
Total current assets	110,951	96,913	100,746
Property, plant and equipment, net	30,115	30,055	30,594
Goodwill	11,462	11,462	11,462
Deferred income taxes	1,227	4,172	753
Other assets	2,923	1,195	1,151
Total assets	\$ 156,678	143,797	144,706
Current liabilities:			
Current maturities of long-term debt	\$ 2,200	2,366	2,200
Line of credit	-	576	561
Accounts payable-trade	25,187	26,220	22,357
Accounts payable - capital expenditures	235	-	225
Accrued expenses	11,812	12,823	11,829
Income taxes payable - current	130	395	285
Total current liabilities	39,564	42,380	37,457
Income taxes payable - long-term	3,953	4,195	4,191
Deferred income taxes	945	856	3,075
Line of credit	573	-	-
Long-term debt, less current maturities	2,200	4,400	4,400
Total liabilities	47,235	51,831	49,123
Commitments and Contingencies (Note 16)			
Shareholders' equity	109,443	91,966	95,583

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Total liabilities and shareholders' equity	\$ 156,678	143,797	144,706
Shares outstanding	12,250	12,225	12,225

* Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

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CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 26, 2014 AND JANUARY 27, 2013
UNAUDITED
(Amounts in Thousands)

	NINE MONTHS ENDED	
	January 26, 2014	January 27, 2013
Cash flows from operating activities:		
Net income	\$ 14,707	14,614
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,964	3,818
Amortization of other assets	123	178
Stock-based compensation	551	308
Excess tax benefit related to stock-based compensation	(143)	(77)
Deferred income taxes	(2,255)	(2,370)
Gain on sale of equipment	(108)	-
Foreign currency exchange losses	353	153
Changes in assets and liabilities, net of effects of acquisition of assets:		
Accounts receivable	(2,844)	776
Inventories	(5,081)	(5,794)
Other current assets	(882)	353
Other assets	(53)	(92)
Accounts payable - trade	2,487	(4,395)
Accrued expenses	13	3,526
Accrued restructuring	-	(40)
Income taxes	162	(141)
Net cash provided by operating activities	10,994	10,817
Cash flows from investing activities:		
Capital expenditures	(2,656)	(2,763)
Net cash paid for acquisition of assets	(2,640)	-
Proceeds from the sale of equipment	188	-
Proceeds from life insurance policies	-	626
Payments on life insurance policies	(30)	-
Purchase of short-term investments	(1,916)	(84)
Proceeds from the sale of short-term investments	-	795
Net cash used in investing activities	(7,054)	(1,426)
Cash flows from financing activities:		
Proceeds from lines of credit	-	1,000
Payments on lines of credit	-	(1,325)
Payments on long-term debt	(2,200)	(2,350)
Proceeds from common stock issued	194	205

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Common stock repurchased	-	(5,022)
Dividends paid	(1,592)	(7,226)
Debt issuance costs	(62)	-
Excess tax benefit related to stock-based compensation	143	77
Net cash used in financing activities	(3,517)	(14,641)
Effect of exchange rate changes on cash and cash equivalents	(660)	(284)
Decrease in cash and cash equivalents	(237)	(5,534)
Cash and cash equivalents at beginning of period	23,530	25,023
Cash and cash equivalents at end of period	\$ 23,293	19,489

See accompanying notes to consolidated financial statements.

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CULP, INC.
 CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 UNAUDITED
 (Dollars in thousands, except share data)

	Common Stock		Capital Contributed in Excess of Par Value	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance, April 29, 2012	12,702,806	\$635	46,056	42,293	16	\$89,000
Net income	-	-	-	18,317	-	18,317
Stock-based compensation						