

**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): November 17, 2016

**THE CATO CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation)

1-31340  
(Commission  
File Number)

56-0484485  
(IRS Employer  
Identification No.)

8100 Denmark Road, Charlotte, NC  
(Address of Principal Executive Offices)

28273-5975  
(Zip Code)

(704) 554-8510  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

---

Item 2.02. Results of Operations and Financial Condition.

On November 17, 2016, The Cato Corporation issued a press release regarding its financial results for the third quarter ending October 29, 2016. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 – Press Release issued November 17, 2016.

**Signatures**

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 thereunto duly authorized.

THE CATO CORPORATION

November 18, 2016

Date

/s/ John P. D. Cato

John P. D. Cato  
Chairman, President and  
Chief Executive Officer

November 18, 2016

Date

/s/ John R. Howe

John R. Howe  
Executive Vice President  
Chief Financial Officer

**Exhibit**

**Exhibit No.**

Press Release issued November 17, 2016.

99.1



The CATO Corporation

**NEWS RELEASE**

**FOR IMMEDIATE RELEASE**

CEO Approval \_\_\_\_\_

For Further Information Contact:  
John R. Howe  
Executive Vice President  
Chief Financial Officer  
704-551-7315

**CATO REPORTS 3Q FLAT TO LAST YEAR**

**Reduces 4Q Guidance**

Charlotte, NC (November 17, 2016) – The Cato Corporation (NYSE: CATO) today reported net income of \$8.3 million for the third quarter ended October 29, 2016, which was flat compared to net income of \$8.3 million for the third quarter ended October 31, 2015. Earnings per diluted share for the third quarter were \$0.30, which was flat compared to \$0.30 last year. Sales for the third quarter ended October 29, 2016 were \$207.0 million, a 7% decrease over sales of \$223.3 million for the third quarter ended October 31, 2015. Same-store sales for the quarter decreased 8%.

For the nine months ended October 29, 2016, the Company earned net income of \$60.0 million, compared to net income of \$55.0 million for the nine months ended October 31, 2015, an increase of 9%. Earnings per diluted share were \$2.17 compared to \$1.97 last year, an increase of 10%. Sales for the nine months ended October 29, 2016 were \$729.2 million, a decrease of 3% from sales of \$754.1 million for the nine months ended October 31, 2015. Year-to-date same-store sales decreased 4%.

For the quarter, the gross margin rate decreased to 35.5% of sales from 37.2% last year, primarily due lower merchandise margins and deleveraging of buying costs. The SG&A rate for the quarter increased to 32.8% from 31.6% from last year primarily due to deleveraging of expenses offset by decreases in incentive compensation. The Company had a tax benefit for the third quarter versus

8100 Denmark Road  
P.O. Box 34216  
Charlotte, NC 28234  
(704) 554-8510

an effective tax rate of 11.1% last year. The tax benefit for the quarter is primarily due to large favorable adjustments from continuing tax initiatives and typical third quarter adjustments applied to lower pre-tax earnings experienced in the quarter.

Year-to-date, the gross margin rate decreased to 38.7% of sales from 39.4% the prior year primarily due to lower merchandise margins and deleveraging of buying costs. The year-to-date SG&A rate was 28.3% versus 27.4% last year primarily due to deleveraging of expenses offset by decreases in incentive compensation. The year-to-date effective tax rate decreased to 16.1% versus 33.2% last year due to continuing favorable tax adjustments.

"The retail environment continues to be soft, and markdown sales in the latter part of the quarter were significantly less than our earlier forecasts," stated John Cato, Chairman, President, and Chief Executive Officer. "Soft sales in the first half of the year continued and eroded further in the third quarter and we expect this trend to continue into the fourth quarter. Overall, we have experienced a number of merchandise assortment and timing issues that have resulted in significant reductions of regular priced sales. Consequently, we had significant markdown inventory as we entered the fourth quarter. Our plans are to liquidate excess inventory throughout the quarter and enter 2017 with inventory levels that are on plan. The liquidation of fall merchandise will put severe pressure on fourth quarter earnings; however, we feel we have made the necessary merchandise adjustments for the spring season to get our business back on track. We now expect fourth quarter earnings will be a loss of \$0.11 per diluted share to a loss of \$0.07 per diluted share versus earnings of \$0.42 per diluted share last year. For the year, earnings are now estimated to be in the range of \$2.08 per diluted share to \$2.12 per diluted share versus \$2.39 per diluted share last year, a decrease of 13% to 11%."

Year-to-date, the Company has opened three new stores, relocated four stores, and closed three stores. As of October 29, 2016, the Company operated 1,372 stores in 33 states, compared to 1,370 stores in 32 states as of October 31, 2015.

The Cato Corporation is a leading specialty retailer of value-priced fashion apparel and

8100 Denmark Road

P.O. Box 34216

Charlotte, NC 28234

(704) 554-8510

accessories operating three concepts, "Cato", "Versona" and "It's Fashion". The Company's

Cato stores offer exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices every day. The Company also offers exclusive merchandise found in its Cato stores at [www.catofashions.com](http://www.catofashions.com). Versona is a unique fashion destination offering apparel and accessories including jewelry, handbags and shoes at exceptional prices every day. Select Versona merchandise can also be found at [www.shopversona.com](http://www.shopversona.com). It's Fashion offers fashion with a focus on the latest trendy styles for the entire family at low prices every day. Additional information on The Cato Corporation is available at [www.catocorp.com](http://www.catocorp.com).

*Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected or estimated financial results are considered "forward-looking" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions; and inventory risks due to shifts in market demand, including the ability to liquidate excess inventory at anticipated margins and other factors discussed under "Risk Factors" in Part I, Item 1A of the Company's most recently filed annual report on Form 10-K and in other reports the Company files with or furnishes to the SEC from time to time. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services.*

###

8100 Denmark Road

P.O. Box 34216

Charlotte, NC 28234

(704) 554-8510

7

---

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) FOR THE PERIODS ENDED OCTOBER 29, 2016 AND OCTOBER 31, 2015

(Dollars in thousands, except per share data)

	Quarter Ended				Nine Months Ended			
	October 29,		October 31,		October 29,		October 31,	
	2016	% Sales	2015	% Sales	2016	% Sales	2015	% Sales
<b>REVENUES</b>								
Retail sales	\$ 207,022	100.0 %	\$ 223,311	100.0 %	\$ 729,173	100.0 %	\$ 754,101	100.0 %
Other revenue (principally finance, late fees and layaway charges)	2,240	1.1 %	2,156	1.0 %	6,949	1.0 %	6,534	0.9 %
Total revenues	<u>209,262</u>	<u>101.1 %</u>	<u>225,467</u>	<u>101.0 %</u>	<u>736,122</u>	<u>101.0 %</u>	<u>760,635</u>	<u>100.9 %</u>
<b>GROSS MARGIN (Memo)</b>	73,395	35.5 %	83,048	37.2 %	282,515	38.7 %	296,835	39.4 %
<b>COSTS AND EXPENSES, NET</b>								
Cost of goods sold	133,627	64.5 %	140,263	62.8 %	446,658	61.3 %	457,266	60.6 %
Selling, general and administrative	67,815	32.8 %	70,659	31.6 %	206,441	28.3 %	206,354	27.4 %
Depreciation	5,734	2.8 %	6,040	2.7 %	17,082	2.3 %	16,968	2.3 %
Interest and other income	(1,288)	-0.6 %	(857)	-0.4 %	(5,593)	-0.8 %	(2,259)	-0.3 %
Cost and expenses, net	<u>205,888</u>	<u>99.5 %</u>	<u>216,105</u>	<u>96.8 %</u>	<u>664,588</u>	<u>91.1 %</u>	<u>678,329</u>	<u>90.0 %</u>
Income Before Income Taxes	3,374	1.6 %	9,362	4.2 %	71,534	9.8 %	82,306	10.9 %
Income Tax Expense	(4,886)	-2.4 %	1,043	0.5 %	11,513	1.6 %	27,310	3.6 %
Net Income	<u>\$ 8,260</u>	<u>4.0 %</u>	<u>\$ 8,319</u>	<u>3.7 %</u>	<u>\$ 60,021</u>	<u>8.2 %</u>	<u>\$ 54,996</u>	<u>7.3 %</u>
Basic Earnings Per Share	<u>\$ 0.30</u>		<u>\$ 0.30</u>		<u>\$ 2.17</u>		<u>\$ 1.97</u>	
Diluted Earnings Per Share	<u>\$ 0.30</u>		<u>\$ 0.30</u>		<u>\$ 2.17</u>		<u>\$ 1.97</u>	

8100 Denmark Road

P.O. Box 34216

Charlotte, NC 28234

(704) 554-8510



**THE CATO CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

	<b>October 29, 2016 (Unaudited)</b>	January 30, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 32,776	\$ 67,057
Short-term investments	210,173	215,495
Restricted cash	4,486	4,472
Accounts receivable - net	33,107	36,610
Merchandise inventories	153,346	141,101
Other current assets	<u>8,963</u>	<u>7,317</u>
Total Current Assets	442,851	472,052
Property and equipment – net	142,008	138,303
Noncurrent Deferred Income		
Taxes	10,442	10,280
Other assets	<u>22,280</u>	<u>21,709</u>
TOTAL	<u>\$ 617,581</u>	<u>\$ 642,344</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
	\$ 153,959	\$ 179,437
Noncurrent Liabilities	51,900	50,242
Stockholders' Equity	<u>411,722</u>	<u>412,665</u>
TOTAL	<u>\$ 617,581</u>	<u>\$ 642,344</u>

8100 Denmark Road

P.O. Box 34216

Charlotte, NC 28234

(704) 554-8510