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 August 3, 2024

OR

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

For the transition period from ________________ to __________________
Commission file number 1-31340

THE CATO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

56-0484485
(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975
(Address of principal executive offices)
(Zip Code)

(704) 554-8510
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A - Common Stock, par value $.033 per share	CATO	New York Stock Exchange

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 such filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes X No ____

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 3, 2024, there were 18,804,629 shares of Class A common stock and 1,763,652 shares of Class B common stock outstanding.

THE CATO CORPORATION

FORM 10-Q

Quarter Ended August 3, 2024

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		Six Months Ended	
	August 3, 2024	July 29, 2023	**August 3, 2024**	July 29, 2023
	(Dollars in thousands, except per share data)			
REVENUES				
Retail sales	$ **166,934**	$ 181,181	$ **342,206**	$ 371,492
Other revenue (principally finance charges, late fees and layaway charges)	**1,694**	1,690	**3,521**	3,429
Total revenues	**168,628**	182,871	**345,727**	374,921
COSTS AND EXPENSES, NET				
Cost of goods sold (exclusive of depreciation shown below)	**109,122**	117,617	**221,627**	239,704
Selling, general and administrative (exclusive of depreciation shown below)	**58,181**	61,618	**114,933**	123,552
Depreciation	**2,329**	2,510	**4,369**	4,867
Interest and other income	**(1,742)**	(1,334)	**(7,563)**	(2,231)
Costs and expenses, net	**167,890**	180,411	**333,366**	365,892
Income before income taxes	**738**	2,460	**12,361**	9,029
Income tax expense	**643**	1,333	**1,292**	3,475
Net income	$ **95**	$ 1,127	$ **11,069**	$ 5,554
Basic earnings per share	$ **0.01**	$ 0.06	$ **0.54**	$ 0.27
Diluted earnings per share	$ **0.01**	$ 0.06	$ **0.54**	$ 0.27
Comprehensive income:				
Net income	$ **95**	$ 1,127	$ **11,069**	$ 5,554
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of $50 and $156 for the three and six months ended July 29, 2023, respectively	**676**	167	**(72)**	522
Comprehensive income	$ **771**	$ 1,294	$ **10,997**	$ 6,076

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	August 3, 2024	February 3, 2024
ASSETS	**(Dollars in thousands)**	
Current Assets:		
Cash and cash equivalents	**$ 30,764**	$ 23,940
Short-term investments	**73,902**	79,012
Restricted cash	**3,562**	3,973
Accounts receivable, net of allowance for customer credit losses of $674 and $705 at August 3, 2024 and February 3, 2024, respectively	**29,772**	29,751
Merchandise inventories	**95,972**	98,603
Prepaid expenses and other current assets	**9,506**	7,783
Total Current Assets	**243,478**	243,062
Property and equipment – net	**63,975**	64,022
Other assets	**22,340**	25,047
Right-of-Use assets – net	**125,779**	154,686
Total Assets	**$ 455,572**	$ 486,817
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 84,623**	$ 87,821
Accrued expenses	**36,207**	37,404
Accrued employee benefits and bonus	**1,022**	1,675
Accrued income taxes	**646**	-
Current lease liability	**51,091**	61,108
Total Current Liabilities	**173,589**	188,008
Other noncurrent liabilities	**14,573**	14,475
Lease liability	**72,348**	92,013
Stockholders' Equity:		
Preferred stock, $100 par value per share, 100,000 shares authorized, none issued	**-**	-
Class A common stock, $0.033 par value per share, 50,000,000 shares authorized; 18,804,629 shares and 18,802,742 shares issued at August 3, 2024 and February 3, 2024, respectively	**635**	635
Convertible Class B common stock, $0.033 par value per share, 15,000,000 shares authorized; 1,763,652 shares shares issued at August 3, 2024 and February 3, 2024	**59**	59
Additional paid-in capital	**127,951**	126,953
Retained earnings	**66,094**	64,279
Accumulated other comprehensive income	**323**	395
Total Stockholders' Equity	**195,062**	192,321
Total Liabilities and Stockholders' Equity	**$ 455,572**	$ 486,817

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended	
	August 3, 2024	July 29, 2023
	(Dollars in thousands)	
Operating Activities:		
Net income	**$ 11,069**	$ 5,554
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**4,369**	4,867
Provision for customer credit losses	**338**	248
Purchase premium and discount accretion of investments	**(577)**	(97)
Gain on sale of assets held for investment	**(4,223)**	-
Share-based compensation	**840**	2,192
Deferred income taxes	**-**	(832)
Loss on disposal of property and equipment	**96**	1
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	**1,041**	(666)
Merchandise inventories	**2,631**	19,338
Prepaid and other assets	**(1,891)**	(667)
Operating lease right-of-use assets and liabilities	**(775)**	(1,001)
Accrued income taxes	**646**	2,948
Accounts payable, accrued expenses and other liabilities	**(4,728)**	(10,306)
Net cash provided by operating activities	**8,836**	21,579
Investing Activities:		
Expenditures for property and equipment	**(4,799)**	(8,470)
Purchase of short-term investments	**(31,396)**	(14,497)
Sales of short-term investments	**37,703**	46,777
Sales of other assets	**5,165**	-
Net cash provided by investing activities	**6,673**	23,810
Financing Activities:		
Dividends paid	**(7,050)**	(6,962)
Repurchase of common stock	**(2,237)**	(2,563)
Proceeds from employee stock purchase plan	**191**	198
Net cash used in financing activities	**(9,096)**	(9,327)
Net increase in cash, cash equivalents, and restricted cash	**6,413**	36,062
Cash, cash equivalents, and restricted cash at beginning of period	**27,913**	23,792
Cash, cash equivalents, and restricted cash at end of period	**$ 34,326**	$ 59,854
Non-cash activity:		
Accrued other assets and property and equipment expenditures	**$ 721**	$ 572

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(Dollars in thousands)				
Balance — February 3, 2024	$ 694	$ 126,953	$ 64,279	$ 395	$ 192,321
Comprehensive income:					
Net income	-	-	10,974	-	10,974
Unrealized net losses on available-for-sale securities, net of deferred income tax expense of $0	-	-	-	(748)	(748)
Dividends paid ($0.17 per share)	-	-	(3,523)	-	(3,523)
Class A common stock sold through employee stock purchase plan	1	189	-	-	190
Share-based compensation issuances and exercises	13	-	5	-	18
Share-based compensation expense	-	(84)	-	-	(84)
Repurchase and retirement of treasury shares	(14)	-	(2,223)	-	(2,237)
Balance — May 4, 2024	$ 694	$ 127,058	$ 69,512	$ (353)	$ 196,911
Comprehensive income:					
Net income	-	-	95	-	95
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of $0	-	-	-	676	676
Dividends paid ($0.17 per share)	-	-	(3,527)	-	(3,527)
Class A common stock sold through employee stock purchase plan	-	35	-	-	35
Share-based compensation issuances and exercises	-	-	-	-	-
Share-based compensation expense	-	858	14	-	872
Repurchase and retirement of treasury shares	-	-	-	-	-
Balance — August 3, 2024	$ 694	$ 127,951	$ 66,094	$ 323	$ 195,062

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(Dollars in thousands)				
Balance — January 28, 2023	$ 691	$ 122,431	$ 104,709	$ (1,238)	$ 226,593
Comprehensive income:					
Net income	-	-	4,428	-	4,428
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of $107	-	-	-	355	355
Dividends paid ($0.17 per share)	-	-	(3,455)	-	(3,455)
Class A common stock sold through employee stock purchase plan	-	195	-	-	195
Share-based compensation issuances and exercises	-	-	3	-	3
Share-based compensation expense	-	929	-	-	929
Repurchase and retirement of treasury shares	(8)	-	(2,259)	-	(2,267)
Balance — April 29, 2023	$ 683	$ 123,555	$ 103,426	$ (883)	$ 226,781
Comprehensive income:					
Net income	-	-	1,127	-	1,127
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of $50	-	-	-	167	167
Dividends paid ($0.17 per share)	-	-	(3,507)	-	(3,507)
Class A common stock sold through employee stock purchase plan	1	31	-	-	32
Share-based compensation issuances and exercises	-	-	-	-	-
Share-based compensation expense	12	1,212	3	-	1,227
Repurchase and retirement of treasury shares	(1)	-	(293)	-	(294)
Balance — July 29, 2023	$ 695	$ 124,798	$ 100,756	$ (716)	$ 225,533

See notes to condensed consolidated financial statements (unaudited).

NOTE 1 - GENERAL:

The condensed consolidated financial statements as of August 3, 2024 and for the twenty-six-week periods ended August 3, 2024 and July 29, 2023 have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the "Company"), and all amounts shown are unaudited. In the opinion of management, all adjustments considered necessary for a fair statement of the financial statements have been included. All such adjustments are of a normal, recurring nature unless otherwise noted. The results of the interim period may not be indicative of the results expected for the entire year.

The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2024. Amounts as of February 3, 2024 have been derived from the audited balance sheet, but do not include all disclosures required by accounting principles generally accepted in the United States of America.

On February 16, 2024, the Company closed on the sale of land held for investment. The sale resulted in a net gain of $3.2 million and is included in Interest and other income in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income for the period ended August 3, 2024.

Subsequent to the second quarter of the current fiscal year, the Company received $8.6 million from the insurance claim settlement and sale of its corporate jet.

On August 29, 2024, the Board of Directors maintained the quarterly dividend at $0.17 per share.

NOTE 2 - EARNINGS PER SHARE:

Accounting Standard Codification ("ASC") 260 – *Earnings Per Share* requires dual presentation of basic and diluted Earnings Per Share ("EPS") on the face of all income statements for all entities with complex capital structures. The Company has presented one basic EPS and one diluted EPS amount for all common shares in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income. While the Company's certificate of incorporation provides the right for the Board of Directors to declare dividends on Class A shares without declaration of commensurate dividends on Class B shares, the Company has historically paid the same dividends to both Class A and Class B shareholders and the Board of Directors has resolved to continue this practice. Accordingly, the Company's allocation of income for purposes of the EPS computation is the same for Class A and Class B shares and the EPS amounts reported herein are applicable to both Class A and Class B shares.

Basic EPS is computed as net income less earnings allocated to non-vested equity awards divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options and the Employee Stock Purchase Plan.

	Three Months Ended		Six Months Ended	
	August 3, 2024	July 29, 2023	**August 3, 2024**	July 29, 2023
	(Dollars in thousands)			
Numerator				
Net earnings	**$ 95**	$ 1,127	**$ 11,069**	$ 5,554
Earnings (loss) allocated to non-vested equity awards	**9**	(54)	**(583)**	(292)
Net earnings available to common stockholders	**$ 104**	$ 1,073	**$ 10,486**	$ 5,262
Denominator				
Basic weighted average common shares outstanding	**19,297,484**	19,395,484	**19,327,137**	19,349,266
Diluted weighted average common shares outstanding	**19,297,484**	19,395,484	**19,327,137**	19,349,266
Net income per common share				
Basic earnings per share	**$ 0.01**	$ 0.06	**$ 0.54**	$ 0.27
Diluted earnings per share	**$ 0.01**	$ 0.06	**$ 0.54**	$ 0.27

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE INCOME:

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the three months ended August 3, 2024:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at May 4, 2024	$	(353)
Other comprehensive income before reclassification		776
Gains reclassified from accumulated other comprehensive income (b)		100
Net current-period other comprehensive income		676
Ending Balance at August 3, 2024	$	323

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.
(b) Includes $130 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net realized gains on available-for-sale securities. The tax impact of this reclassification was $30.

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the six months ended August 3, 2024:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at February 3, 2024	$	395
Other comprehensive income before reclassification		714
Gains reclassified from accumulated other comprehensive income (b)		786
Net current-period other comprehensive loss		(72)
Ending Balance at August 3, 2024	$	323

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.
(b) Includes $1,022 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net realized gains on available-for-sale securities. The tax impact of this reclassification was $236.

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED):

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the three months ended July 29, 2023:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at April 29, 2023	$	(883)
Other comprehensive income before reclassifications		164
Gains reclassified from accumulated other comprehensive income (b)		3
Net current-period other comprehensive income		167
Ending Balance at July 29, 2023	$	(716)

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.
(b) Includes $4 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net realized gains on available-for-sale securities. The tax impact of this reclassification was $1.

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the six months ended July 29, 2023:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at January 28, 2023	$	(1,238)
Other comprehensive income before reclassifications		519
Gains reclassified from accumulated other comprehensive income (b)		3
Net current-period other comprehensive income		522
Ending Balance at July 29, 2023	$	(716)

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.
(b) Includes $4 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net realized gains on available-for-sale securities. The tax impact of this reclassification was $1.

NOTE 4 – FINANCING ARRANGEMENTS:

At August 3, 2024, the Company had an unsecured revolving credit agreement, which provides for borrowings of up to $35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On April 25, 2024, the Company amended the revolving credit agreement to modify a definition used in calculating the Company's minimum EBITDAR coverage ratio to add back certain income tax receivables included in the calculation of the ratio. For the quarter ended August 3, 2024, after giving effect to the amendment, the Company was in compliance with the credit agreement. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of August 3, 2024. The weighted average interest rate under the credit facility was zero at August 3, 2024 due to no outstanding borrowings.

NOTE 5 – REPORTABLE SEGMENT INFORMATION:

The Company has determined that it has four operating segments, as defined under ASC 280 – *Segment Reporting*, including Cato, It's Fashion, Versona and Credit. As outlined in ASC 280-10, the Company has two reportable segments: Retail and Credit. The Company has aggregated its three retail operating segments, including e-commerce, based on the aggregation criteria outlined in ASC 280-10, which states that two or more operating segments may be aggregated into a single reportable segment if aggregation is consistent with the objective and basic principles of ASC 280-10, which require the segments to have similar economic characteristics, products, production processes, clients and methods of distribution.

The Company's retail operating segments have similar economic characteristics and similar operating, financial and competitive risks. The products sold in each retail operating segment are similar in nature, as they all offer women's apparel, shoes and accessories. Merchandise inventory of the Company's retail operating segments is sourced from the same countries and some of the same vendors, using similar production processes. Merchandise for the Company's retail operating segments is distributed to retail stores in a similar manner through the Company's single distribution center and is subsequently sold to customers in a similar manner.

The Company operates its women's fashion specialty retail stores in 31 states as of August 3, 2024, principally in the southeastern United States. The Company offers its own credit card to its customers and all credit authorizations, payment processing and collection efforts are performed by separate wholly-owned subsidiaries of the Company.

NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):

The following schedule summarizes certain segment information (in thousands):

Three Months Ended August 3, 2024	**Retail**	**Credit**	**Total**
Revenues	$167,954	$674	$168,628
Depreciation	2,328	1	2,329
Interest and other income	(1,742)	-	(1,742)
Income before income taxes	485	253	738
Capital expenditures	1,536	-	1,536

Six Months Ended August 3, 2024	**Retail**	**Credit**	**Total**
Revenues	$344,384	$1,343	$345,727
Depreciation	4,368	1	4,369
Interest and other income	(7,563)	-	(7,563)
Income before income taxes	11,859	502	12,361
Capital expenditures	4,799	-	4,799

Three Months Ended July 29, 2023	**Retail**	**Credit**	**Total**
Revenues	$182,213	$658	$182,871
Depreciation	2,509	1	2,510
Interest and other income	(1,334)	-	(1,334)
Income before income taxes	2,207	253	2,460
Capital expenditures	2,300	-	2,300

Six Months Ended July 29, 2023	**Retail**	**Credit**	**Total**
Revenues	$373,648	$1,273	$374,921
Depreciation	4,866	1	4,867
Interest and other income	(2,231)	-	(2,231)
Income before income taxes	8,590	439	9,029
Capital expenditures	8,470	-	8,470

	Retail	**Credit**	**Total**
Total assets as of August 3, 2024	$417,112	$38,460	$455,572
Total assets as of February 3, 2024	448,488	38,329	486,817

The Company evaluates segment performance based on income before income taxes. The Company does not allocate certain corporate expenses or income taxes to the credit segment.

The following schedule summarizes the direct expenses of the credit segment, which are reflected in Selling, general and administrative expenses (in thousands):

	Three Months Ended		**Six Months Ended**	
	August 3, 2024	July 29, 2023	**August 3, 2024**	July 29, 2023
Payroll	**$ 161**	$ 142	**$ 314**	$ 276
Postage	**115**	109	**217**	210
Other expenses	**144**	154	**309**	348
Total expenses	**$ 420**	$ 405	**$ 840**	$ 834

NOTE 6 – STOCK-BASED COMPENSATION:

As of August 3, 2024, the Company's 2018 Incentive Compensation Plan allows for the granting of various forms of equity-based awards, including restricted stock and stock options for grant to officers, directors and key employees.

The following table presents the number of options and shares of restricted stock initially authorized and available for grant under this plan as of August 3, 2024:

	2018 Plan
Options and/or restricted stock initially authorized	4,725,000
Options and/or restricted stock available for grant	2,753,001

In accordance with ASC 718 – *Compensation–Stock Compensation*, the fair value of current restricted stock awards is estimated on the date of grant based on the market price of the Company's stock and is amortized to compensation expense on a straight-line basis over the related vesting periods. As of August 3, 2024 and February 3, 2024, there was $9,148,000 and $9,334,000, respectively, of total unrecognized compensation expense related to nonvested restricted stock awards, which had a remaining weighted-average vesting period of 2.4 years and 2.1 years, respectively. The total compensation expense during the three and six months ended August 3, 2024 was $872,000 and $806,000, respectively, compared to a total compensation expense of $1,230,000 and $2,158,000 for the three and six months ended July 29, 2023, respectively. This compensation expense is classified as a component of Selling, general and administrative expenses in the Condensed Consolidated Statements of Income.

The following summary shows the changes in the number of shares of unvested restricted stock outstanding during the six months ended August 3, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at February 3, 2024	1,123,873	$ 11.32
Granted	386,900	4.80
Vested	(232,696)	13.22
Forfeited or expired	(18,296)	9.17
Restricted stock awards at August 3, 2024	1,259,781	$ 8.98

NOTE 6 – STOCK BASED-COMPENSATION (CONTINUED):

The Company's Employee Stock Purchase Plan allows eligible full-time employees to purchase a limited number of shares of the Company's Class A Common Stock during each semi-annual offering period at a 15% discount through payroll deductions. During the six months ended August 3, 2024 and July 29, 2023, the Company sold 38,910 and 26,127 shares to employees at an average discount of $ 0.87 and $1.31 per share, respectively, under the Employee Stock Purchase Plan. The compensation expense recognized for the 15% discount given under the Employee Stock Purchase Plan was approximately $ 34,000 for each of the six months ended August 3, 2024 and July 29, 2023. This compensation expense is classified as a component of Selling, general and administrative expenses.

NOTE 7 – FAIR VALUE MEASUREMENTS:

The following tables set forth information regarding the Company's financial assets and liabilities that are measured at fair value (in thousands) as of August 3, 2024 and February 3, 2024:

Description	August 3, 2024	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
State/Municipal Bonds	$ 3,943	$ -	$ 3,943	$ -
Corporate Bonds	50,558	-	50,558	-
U.S. Treasury/Agencies Notes and Bonds	18,430	-	18,430	-
Cash Surrender Value of Life Insurance	8,886	-	-	8,886
Asset-backed Securities (ABS)	971	-	971	-
Total Assets	$ 82,788	$ -	$ 73,902	$ 8,886
Liabilities:				
Deferred Compensation	$ (8,604)	$ -	$ -	$ (8,604)
Total Liabilities	$ (8,604)	$ -	$ -	$ (8,604)

Description	**February 3, 2024**	**Quoted Prices in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Assets:				
State/Municipal Bonds	$ 12,540	$ -	$ 12,540	$ -
Corporate Bonds	45,400	-	45,400	-
U.S. Treasury/Agencies Notes and Bonds	18,114	-	18,114	-
Cash Surrender Value of Life Insurance	8,586	-	-	8,586
Asset-backed Securities (ABS)	2,958	-	2,958	-
Corporate Equities	1,084	1,084	-	-
Total Assets	$ 88,682	$ 1,084	$ 79,012	$ 8,586
Liabilities:				
Deferred Compensation	$ (8,654)	$ -	$ -	$ (8,654)
Total Liabilities	$ (8,654)	$ -	$ -	$ (8,654)

The Company’s investment portfolio was primarily invested in corporate bonds and tax-exempt and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at August 3, 2024 and February 3, 2024. The state, municipal and corporate bonds and asset-backed securities have contractual maturities which range from six days to 2.9 years. The U.S. Treasury/Agencies Notes and Bonds have contractual maturities which range from 14 days to 3.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments and Other assets on the respective Condensed Consolidated Balance Sheets. These assets are carried at fair value with unrealized gains and losses reported net of taxes in Accumulated other comprehensive income. The asset-backed securities are bonds comprised of auto loans and bank credit cards that carry AAA ratings. The auto loan asset-backed securities are backed by static pools of auto loans that were originated and serviced by captive auto finance units, banks or finance companies. The bank credit card asset-backed securities are backed by revolving pools of credit card receivables generated by account holders of cards from American Express, Citibank, JPMorgan Chase, Capital One, and Discover.

At February 3, 2024, the Company had $ 1.1 million of corporate equities and deferred compensation plan assets of $8.6 million. At August 3, 2024, the Company had deferred compensation plan assets of $ 8.9 million. During the six months ended August 3, 2024, the Company sold its corporate equities. All of these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets.

Level 1 category securities are measured at fair value using quoted active market prices. Level 2 investment securities include corporate, state and municipal bonds for which quoted prices may not be available on active exchanges for identical instruments. Their fair value is principally based on market values determined by management with the assistance of a third-party pricing service. Since quoted prices in active markets for identical assets are not available, these prices are determined by the pricing service using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics, among other factors.

Deferred compensation plan assets consist of life insurance policies. These life insurance policies are valued based on the cash surrender value of the insurance contract, which is determined based on such factors as the fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the valuation hierarchy. The Level 3 liability associated with the life insurance policies represents a deferred compensation obligation, the value of which is tracked via underlying insurance funds' net asset values, as recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet. These funds are designed to mirror mutual funds and money market funds that are observable and actively traded.

The following tables summarize the change in fair value of the Company's financial assets and liabilities measured using Level 3 inputs for the six months ended August 3, 2024 and the year ended February 3, 2024 (in thousands):

	Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)
	Cash Surrender Value
Beginning Balance at February 3, 2024	$ 8,586
Redemptions	-
Additions	-
Total gains or (losses):	
Included in interest and other income (or changes in net assets)	300
Ending Balance at August 3, 2024	$ 8,886

	Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)
	Deferred Compensation
Beginning Balance at February 3, 2024	$ (8,654)
Redemptions	543
Additions	(121)
Total (gains) or losses:	
Included in interest and other income (or changes in net assets)	(372)
Ending Balance at August 3, 2024	$ (8,604)

	Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)	
	Cash Surrender Value	
Beginning Balance at January 28, 2023	$	9,274
Redemptions		(1,168)
Additions		-
Total gains or (losses):		
Included in interest and other income (or changes in net assets)		480
Ending Balance at February 3, 2024	$	8,586

	Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)	
	Deferred Compensation	
Beginning Balance at January 28, 2023	$	(8,903)
Redemptions		1,119
Additions		(292)
Total (gains) or losses:		
Included in interest and other income (or changes in net assets)		(578)
Ending Balance at February 3, 2024	$	(8,654)

NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS:

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which modifies disclosure requirements for all public entities that are required to report segment information. The update will change the reporting of segments by adding significant segment expenses, other segment items, title and position of the chief operating decision maker ("CODM") and how the CODM uses the reported measures to make decisions. The update also requires all annual disclosure about a reportable segment's profit or loss and assets in interim periods. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and the guidance is applicable retrospectively to all prior periods presented in the financial statements. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which modifies the requirements on income tax disclosures to require disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This guidance is effective for fiscal years beginning after December 15, 2024 for all public business entities, with early adoption and retrospective application permitted. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

NOTE 9 – INCOME TAXES:

The Company had an effective tax rate for the first six months of 2024 of 10.5% compared to 38.5% for the first six months of 2023. Income tax expense for the first six months decreased to $ 1.3 million in fiscal 2024 from $3.5 million in fiscal 2023. The decrease in tax expense is primarily due to the valuation allowance against net deferred tax assets attributable to U.S. federal net operating loss carryforwards and the impact of the foreign rate differential and lower state income taxes.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

The Company is, from time to time, involved in routine litigation incidental to the conduct of its business, including litigation regarding the merchandise that it sells, litigation regarding intellectual property, litigation instituted by persons injured upon premises under the Company's control, litigation with respect to various employment matters, including alleged discrimination and wage and hour litigation, and litigation with present or former employees.

Although such litigation is routine and incidental to the conduct of the Company's business, as with any business of its size with a significant number of employees and significant merchandise sales, such litigation could result in large monetary awards. Based on information currently available, management does not believe that any reasonably possible losses arising from current pending litigation will have a material adverse effect on the Company's condensed consolidated financial statements. However, given the inherent uncertainties involved in such matters, an adverse outcome in one or more of such matters could materially and adversely affect the Company's financial condition, results of operations and cash flows in any particular reporting period. The Company accrues for these matters when the liability is deemed probable and reasonably estimable.

NOTE 11 – REVENUE RECOGNITION:

The Company recognizes sales at the point of purchase when the customer takes possession of the merchandise and pays for the purchase, generally with cash or credit. Sales from purchases made with Cato credit, gift cards and layaway sales from stores are also recorded when the customer takes possession of the merchandise. E-commerce sales are recorded when the risk of loss is transferred to the customer. Gift cards are recorded as deferred revenue until they are redeemed or forfeited. Gift cards do not have expiration dates. Layaway transactions are recorded as deferred revenue until the customer takes possession or forfeits the merchandise. A provision is made for estimated merchandise returns based on sales volumes and the Company's experience; actual returns have not varied materially from historical amounts. A provision is made for estimated write-offs associated with sales made with the Company's proprietary credit card. Amounts related to shipping and handling billed to customers in a sales transaction are classified as Other revenue and the costs related to shipping product to customers (billed and accrued) are classified as Cost of goods sold.

The Company offers its own proprietary credit card to customers. All credit activity is performed by the Company's wholly-owned subsidiaries. None of the credit card receivables are secured. During the three and six months ended August 3, 2024, the Company estimated customer credit losses of $166,000 and $338,000, respectively, compared to $151,000 and $272,000 for the three and six months ended July 29, 2023, respectively. Sales purchased on the Company's proprietary credit card for the three and six months ended August 3, 2024 were $5.6 million and $11.3 million, respectively, compared to $5.9 million and $11.7 million for the three and six months ended July 29, 2023, respectively.

The following table provides information about receivables and contract liabilities from contracts with customers (in thousands):

	Balance as of	
	August 3, 2024	February 3, 2024
Proprietary Credit Card Receivables, net	**$ 10,788**	$ 10,909
Gift Card Liability	**$ 6,534**	$ 8,143

NOTE 12 – LEASES:

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for stores, offices, warehouse space and equipment. Its leases have remaining lease terms of up to 10 years based on the estimated likelihood of renewal. Some include options to extend the lease term for up to five years, and some include options to terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at commencement date of the lease in determining the present value of lease payments.

The components of lease cost are shown below (in thousands):

	Three Months Ended	
	August 3, 2024	July 29, 2023
Operating lease cost (a)	**$ 16,808**	$ 17,597
Variable lease cost (b)	**$ 463**	$ 504

(a) Includes right-of-use asset amortization of ($0.2) million and ($0.3) million for the three months ended August 3, 2024 and July 29, 2023, respectively.

(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

	Six Months Ended	
	August 3, 2024	July 29, 2023
Operating lease cost (a)	**$ 33,810**	$ 35,675
Variable lease cost (b)	**$ 960**	$ 1,098

(a) Includes right-of-use asset amortization of ($0.4) million and ($0.6) million for the six months ended August 3, 2024 and July 29, 2023, respectively.

(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows (in thousands):

Operating cash flow information:

	Three Months Ended	
	August 3, 2024	July 29, 2023
Cash paid for amounts included in the measurement of lease liabilities	**$ 15,481**	$ 16,679
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	**$ 913**	$ 999

	Six Months Ended	
	August 3, 2024	July 29, 2023
Cash paid for amounts included in the measurement of lease liabilities	**$ 31,088**	$ 34,024
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	**$ 1,357**	$ 2,903

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	As of	
	August 3, 2024	July 29, 2023
Weighted-average remaining lease term	**1.8 years**	2.0 years
Weighted-average discount rate	**4.74%**	3.26%

Maturities of lease liabilities by fiscal year for the Company's operating leases are as follows (in thousands):

Fiscal Year	
2024 (a)	$ 32,232
2025	45,606
2026	29,710
2027	16,962
2028	8,034
Thereafter	892
Total lease payments	133,436
Less: Imputed interest	9,997
Present value of lease liabilities	$ 123,439

(a) Excluding the six months ended August 3, 2024

FORWARD-LOOKING INFORMATION:

The information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read along with the unaudited Condensed Consolidated Financial Statements, including the accompanying Notes appearing in this report. Any of the following are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended: (1) statements in this Form 10-Q that reflect projections or expectations of our future financial or economic performance; (2) statements that are not historical information; (3) statements of our beliefs, intentions, plans and objectives for future operations, including those contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations"; (4) statements relating to our operations or activities for our fiscal year ending February 1, 2025 ("fiscal 2024") and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodels and closures, and statements regarding the potential impact of supply chain disruptions, extreme weather conditions, inflationary pressures and other economic or market conditions on our business, results of operations and financial condition and statements of plans or intentions regarding new store development or store closures; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as "will," "expects," "anticipates," "approximates," "believes," "estimates," "hopes," "intends," "may," "plans," "could," "would," "should" and any variations or negative formations of such words and similar expressions. We can give no assurance that actual results or events will not differ materially from those expressed or implied in any such forward-looking statements. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but 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: any actual or perceived deterioration in, or continuation of negative trends in, the conditions that drive consumer confidence and spending, including, but not limited to, prevailing social, economic, political and public health conditions and uncertainties, levels of unemployment, fuel, energy and food costs, wage rates, tax rates, interest rates, home values, consumer net worth, the availability of credit and inflation; changes in laws, regulations or government policies affecting our business, including but not limited to tariffs; uncertainties regarding the impact of any governmental action regarding, or responses to, the foregoing conditions; competitive factors and pricing pressures; our ability to predict and respond to rapidly changing fashion trends and consumer demands; our ability to increase new store openings and the ability of any such new stores to grow and perform as expected; underperformance or other factors that may lead to, or affect the volume of, store closures; adverse weather, public health threats, acts of war or aggression or similar conditions that may affect our merchandise supply chain, sales or operations; inventory risks due to shifts in market demand, including the ability to liquidate excess inventory at anticipated margins; adverse developments or volatility affecting the financial services industry or broader financial markets; and other factors discussed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 3, 2024 ("fiscal 2023"), as amended or supplemented, and in other reports we file with or furnish to the Securities and Exchange Commission ("SEC") from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The Company's critical accounting policies and estimates are more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2024. The preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company's financial statements include the calculation of potential asset impairment, income tax valuation allowances, reserves relating to self-insured health insurance, workers' compensation, general and auto insurance liabilities, uncertain tax positions, the allowance for customer credit losses, and inventory shrinkage.

The Company's critical accounting policies and estimates are discussed with the Audit Committee.

RESULTS OF OPERATIONS:

The following table sets forth, for the periods indicated, certain items in the Company's unaudited Condensed Consolidated Statements of Income as a percentage of total retail sales:

	Three Months Ended		Six Months Ended	
	August 3, 2024	July 29, 2023	**August 3, 2024**	July 29, 2023
Total retail sales	**100.0** %	100.0 %	**100.0** %	100.0 %
Other revenue	**1.0**	0.9	**1.0**	0.9
Total revenues	**101.0**	100.9	**101.0**	100.9
Cost of goods sold (exclusive of depreciation)	**65.4**	64.9	**64.8**	64.5
Selling, general and administrative (exclusive of depreciation)	**34.9**	34.0	**33.6**	33.3
Depreciation	**1.4**	1.4	**1.3**	1.3
Interest and other income	**(1.0)**	(0.7)	**(2.2)**	(0.6)
Income before income taxes	**0.4**	1.4	**3.6**	2.4
Net income	**0.1**	0.6	**3.2**	1.5

RESULTS OF OPERATIONS(CONTINUED):

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Condensed Consolidated Financial Statements and the Notes to those statements included in the "Financial Statements" section of this Quarterly Report on Form 10-Q, as well as our 2023 Annual Report on Form 10-K.

Recent Developments

Inflationary Cost Pressure and High Interest Rates

The pressure on our customers' disposable income continued in the first half of fiscal 2024, due to prolonged and persistently high inflation rates, especially related to housing and fuel, as well as high interest rates. These high interest rates have adversely affected the availability and cost of credit for our customers, including revolving credit and auto loans, and continue to negatively impact our customers' disposable income. Our customers' willingness to purchase our products may continue to be negatively impacted by these inflationary pressures and high interest rates.

We believe the pressure on our customers' disposable income adversely impacted the first half of 2024 and will likely continue to have a negative impact on consumer behavior and, by extension, our results of operations and financial condition during the remainder of fiscal 2024.

Merchandise Supply Chain

A significant amount of our merchandise is manufactured overseas, principally Southeast Asia, and traverses through the Panama Canal or the Suez Canal. The regional drought conditions experienced in the region surrounding the Panama Canal reduced the number of transits by approximately 37% and has also reduced the permissible draft of vessels transiting the Panama Canal, which reduced the volume and number of containers carried by container ships and increased our costs in the first quarter. During the second quarter, the Panama Canal authority increased the daily transits and the permissible draft of vessels, raising the number of transits to 95% of pre-drought operations. The hostilities affecting the region surrounding the Suez Canal are causing container ships to travel longer distances around the Cape of Good Hope, which is increasing lead times for merchandise and our costs to ship these goods, as well as decreasing the pool of containers available. Both of these situations have negatively impacted the first six months of 2024. Though conditions in the Panama Canal have incrementally improved, we believe the totality of these conditions will likely continue to have a negative impact on our results of operations and financial condition for the foreseeable future.

Comparison of the Three and Six Months ended August 3, 2024 with July 29, 2023

Total retail sales for the second quarter were $166.9 million compared to last year's second quarter sales of $181.2 million, an 8% decrease. The Company's sales decrease in the second quarter of fiscal 2024 was primarily due to a 2% decrease in same-store sales and store closures. For the six months ended August 3, 2024, total retail sales were $342.2 million compared to last year's comparable six month sales of $371.5 million, an 8% decrease. The decrease in sales in the first six months of fiscal 2024 was due primarily to a 4% decrease in same-store sales and store closures. Same-store sales include stores that have been open more than 15 months. Stores that have been relocated or expanded are also included in the same-store sales calculation after they have been open more than 15 months. The method of calculating same-store sales varies across the retail industry. As a result, our same-store sales calculation may not be comparable to similarly titled measures reported by other companies. E-commerce sales were less than 5% of total sales for the six months ended August 3, 2024 and are included in the same-store sales calculation. Total revenues, comprised of retail sales and other revenue (principally finance charges and late fees on customer accounts receivable and layaway fees), were $168.6 million and $345.7 million for the three and six months ended August 3, 2024, compared to $182.9 million and $374.9 million for the three and six months ended July 29, 2023, respectively. The Company operated 1,166 stores at August 3, 2024 compared to 1,247 stores at July 29, 2023. During the first six months of fiscal 2024, the Company closed 12 stores. The Company currently expects to close approximately 65 stores in total in fiscal 2024.

Credit revenue of $0.7 million represented 0.4% of total revenues in the second quarter of fiscal 2024, compared to 2023 credit revenue of $0.7 million or 0.4% of total revenues. Credit revenue is comprised of interest earned on the Company's private label credit card portfolio and related fee income. Related expenses principally include payroll, postage and other administrative expenses and totaled $0.4 million in the second quarter of fiscal 2024, compared to last year's second quarter expense of $0.4 million.

Other revenue, a component of total revenues, was $1.7 million and $3.5 million for the three and six months ended August 3, 2024, respectively, compared to $1.7 million and $3.4 million for the prior year's comparable three and six month periods. The slight increase in Other revenue for the first six months was due to increases in gift card breakage income and finance charges and late fees associated with the Company's proprietary credit card, partially offset by a decrease in e-commerce shipping revenue.

Cost of goods sold was $109.1 million, or 65.4% of retail sales and $221.6 million, or 64.8% of retail sales for the three and six months ended August 3, 2024, respectively, compared to $117.6 million, or 64.9% of retail sales and $239.7 million, or 64.5% of retail sales for the comparable three and six month periods of fiscal 2023. The overall increase in cost of goods sold as a percent of retail sales for the second quarter and first six months of fiscal 2024 versus the comparable three and six month periods of fiscal 2023 resulted primarily from deleveraging of occupancy and buying costs and higher distribution costs, partially offset by higher selling margins. Cost of goods sold includes merchandise costs (net of discounts and allowances), buying costs, distribution costs, occupancy costs, freight and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs. Buying and distribution costs include payroll, payroll-related costs and operating expenses for the buying departments and distribution center. Occupancy costs include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Total gross margin dollars (retail sales less cost of goods sold exclusive of depreciation) decreased by 9.1% to $57.8 million for the second quarter of fiscal 2024 and by 8.5% to $120.6 million for the first six months of fiscal 2024, compared to $63.6 million and $131.8 million for the prior year's comparable three and six months of fiscal 2023, respectively. Gross margin as presented may not be comparable to those of other entities.

Selling, general and administrative expenses ("SG&A") primarily include corporate and store payroll, related payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees. SG&A expenses were $58.2 million, or 34.9% of retail sales and $114.9 million, or 33.6% of retail sales for the second quarter and first six months of fiscal 2024, respectively, compared to $61.6 million, or 34.0% of retail sales and $123.6 million, or 33.3% of retail sales for the prior year's comparable three and six month periods, respectively. The decrease in SG&A expenses for the second quarter and first six months of fiscal 2024 was primarily due to lower payroll, advertising and equity compensation expenses, partially offset by higher insurance expense and expenses related to the startup of our DC automation project which will continue into the third quarter.

Depreciation expense was $2.3 million, or 1.4% of retail sales and $4.4 million, or 1.3% of retail sales for the second quarter and first six months of fiscal 2024, respectively, compared to $2.5 million, or 1.4% of retail sales and $4.9 million or 1.3% of retail sales for the comparable three and six month periods of fiscal 2023, respectively.

Interest and other income was $1.7 million, or 1.0% of retail sales and $7.6 million, or 2.2% of retail sales for the three and six months ended August 3, 2024, respectively, compared to $1.3 million, or 0.7% of retail sales and $2.2 million, or 0.6% of retail sales for the comparable three and six month periods of fiscal 2023, respectively. The increase for the second quarter of fiscal 2024 compared to fiscal 2023 was primarily due to higher interest earned on the Company's investments. The increase for the first six months of fiscal 2024 compared to fiscal 2023 was primarily due to a $3.2 million net gain on sale of land held for investment in addition to higher interest earned on the Company's investments.

Income tax expense was $0.6 million and $1.3 million for the second quarter and first six months of fiscal 2024, respectively, compared to a tax expense of $1.3 million and $3.5 million for the comparable three and six month periods of fiscal 2023, respectively. The effective income tax rate for the first six months of fiscal 2024 was 10.5% compared to 38.5% for the first six months of fiscal 2023. The decrease in tax expense is primarily due to the valuation allowance against net deferred tax assets attributable to U.S. federal net operating loss carryforwards and the impact of the foreign rate differential and lower state income taxes.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:

The Company believes that its cash, cash equivalents and short-term investments, together with cash flows from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's regular operating requirements and expected capital expenditures for the next 12 months.

Cash provided by operating activities during the first six months of fiscal 2024 was $8.8 million as compared to $21.6 million provided in the first six months of fiscal 2023. The decrease in cash provided by operating activities of $12.8 million for the first six months of fiscal 2024 as compared to the first six months of fiscal 2023 was primarily attributable to the relative change in inventory from year-end to the second quarter for both years and a decrease to 2024 net income for non-operating gains on sale of assets held for investment, partially offset by higher net income and the relative change of accounts payable from year-end to the second quarter for both years.

At August 3, 2024, the Company had working capital of $69.9 million compared to $55.1 million at February 3, 2024. The increase in working capital was primarily attributable to a decrease in current lease liability and an increase in cash, partially offset by a decrease in inventory and short-term investments.

At August 3, 2024, the Company had an unsecured revolving credit agreement, which provides for borrowings of up to $35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On April 25, 2024, the Company amended the revolving credit agreement to modify a definition used in calculating the Company's minimum EBITDAR coverage ratio to add back certain income tax receivables included in the calculation of the ratio. For the quarter ended August 3, 2024, after giving effect to the amendment, the Company was in compliance with the credit agreement. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of August 3, 2024. The weighted average interest rate under the credit facility was zero at August 3, 2024 due to no outstanding borrowings.

Expenditures for property and equipment totaled $4.8 million in the first six months of fiscal 2024, compared to $8.5 million in last fiscal year's first six months. The decrease in expenditures for property and equipment was primarily due to finishing projects related to investments in the distribution center and information technology. For the full fiscal 2024 year, the Company expects to invest approximately $7.0 million for capital expenditures.

Net cash provided by investing activities totaled $6.7 million in the first six months of fiscal 2024 compared to $23.8 million net cash provided in the comparable period of 2023. The decrease in net cash provided by investing activities in 2024 was primarily due to higher purchases of short-term investments, partially offset by lower sales of short-term investments, lower capital expenditures and sale of other assets.

Net cash used in financing activities totaled $9.1 million in the first six months of fiscal 2024 compared to $9.3 million used in the comparable period of fiscal 2023. The decrease in net cash used in financing activities in fiscal 2024 was primarily due to lower stock repurchases.

On August 29, 2024, the Board of Directors maintained the quarterly dividend at $0.17 per share.

As of August 3, 2024, the Company had 478,238 shares remaining in open authorizations under its share repurchase program.

The Company does not use derivative financial instruments.

The Company's investment portfolio was primarily invested in corporate bonds and tax-exempt and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at August 3, 2024 and February 3, 2024. The state, municipal and corporate bonds and asset-backed securities have contractual maturities which range from six days to 2.9 years. The U.S. Treasury/Agencies Notes and Bonds have contractual maturities which range from 14 days to 3.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments and Other assets on the respective Condensed Consolidated Balance Sheets. These assets are carried at fair value with unrealized gains and losses reported net of taxes in Accumulated other comprehensive income. The asset-backed securities are bonds comprised of auto loans and bank credit cards that carry AAA ratings. The auto loan asset-backed securities are backed by static pools of auto loans that were originated and serviced by captive auto finance units, banks or finance companies. The bank credit card asset-backed securities are backed by revolving pools of credit card receivables generated by account holders of cards from American Express, Citibank, JPMorgan Chase, Capital One, and Discover.

At February 3, 2024, the Company had $1.1 million of corporate equities and deferred compensation plan assets of $8.6 million. At August 3, 2024, the Company had deferred compensation plan assets of $8.9 million. During the six months ended August 3, 2024, the Company sold its corporate equities. All of these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets. See Note 7, Fair Value Measurements.

RECENT ACCOUNTING PRONOUNCEMENTS:

See Note 8, Recent Accounting Pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

The Company is subject to market rate risk from exposure to changes in interest rates based on its financing, investing and cash management activities, but the Company does not believe such exposure is material.

ITEM 4. CONTROLS AND PROCEDURES:

We carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as of August 3, 2024. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of August 3, 2024, our disclosure controls and procedures, as defined in Rule 13a-15(e), under the Securities Exchange Act of 1934 (the "Exchange Act"), were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) has occurred during the Company's fiscal quarter ended August 3, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS:

Not Applicable.

ITEM 1A. RISK FACTORS:

In addition to the other information in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended February 3, 2024. These risks could materially affect our business, financial condition or future results; however, they are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS:

The following table summarizes the Company's purchases of its common stock for the three months ended August 3, 2024:

ISSUER PURCHASES OF EQUITY SECURITIES

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that may Yet be Purchased Under The Plans or Programs (2)
May 2024	-	$ -	-	
June 2024	-	-	-	
July 2024	-	-	-	
Total	-	$ -	-	478,238

(1) Prices include trading costs.

(2) As of May 4, 2024, the Company's share repurchase program had 478,238 shares remaining in open authorizations. During the second quarter ended August 3, 2024, the Company did not repurchase or retire any shares under this program. As of August 3, 2024, the Company had 478,238 shares remaining in open authorizations. There is no specified expiration date for the Company's repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES:

No matters requiring disclosure.

ITEM 5. OTHER INFORMATION:

During the three months ended August 3, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS:

Exhibit No.	Item
3.1	Registrant's Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.
3.2	Registrant's Amended and Restated By-Laws, incorporated by reference to Exhibit 3.2 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1*	Section 1350 Certification of Principal Executive Officer.
32.2*	Section 1350 Certification of Principal Financial Officer.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.1	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101.1*)

* Submitted electronically herewith.

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

August 29, 2024	/s/ John P. D. Cato
Date	John P. D. Cato Chairman, President and Chief Executive Officer
August 29, 2024	/s/ Charles D. Knight
Date	Charles D. Knight Executive Vice President Chief Financial Officer

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. D. Cato, certify that:

1. I have reviewed this report on Form 10-Q of The Cato Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 29, 2024

/s/ John P. D. Cato

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

EXHIBIT 31.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles D. Knight, certify that:

1. I have reviewed this report on Form 10-Q of The Cato Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 29, 2024

/s/ Charles D. Knight
Charles D. Knight
Executive Vice President
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

I, John P. D. Cato, Chairman, President and Chief Executive Officer of The Cato Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Form 10-Q of the Company for the quarter ended August 3, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 29, 2024

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

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

I, Charles D. Knight, Executive Vice President, Chief Financial Officer of The Cato Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Form 10-Q of the Company for the quarter ended August 3, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 29, 2024

/s/ Charles D. Knight
Charles D. Knight
Executive Vice President
Chief Financial Officer