

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

**FORM 10-Q**

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

For the quarterly period ended October 28, 2023

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

56-0484485

(State or other jurisdiction of incorporation or organization) (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  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  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).

As of October 28, 2023, there were 18,821,512 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 October 28, 2023**

**Table of Contents**

	Page No.
PART I – FINANCIAL INFORMATION (UNAUDITED)	
Item 1. Financial Statements (Unaudited):	
Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) For the Three Months and Nine Months Ended October 28, 2023 and October 29, 2022	3
Condensed Consolidated Balance Sheets At October 28, 2023 and January 28, 2023	4
Condensed Consolidated Statements of Cash Flows For the Nine Months Ended October 28, 2023 and October 29, 2022	5
Condensed Consolidated Statements of Stockholders' Equity For the Nine Months Ended October 28, 2023 and October 29, 2022	6 – 7
Notes to Condensed Consolidated Financial Statements For the Three Months and Nine Months Ended October 28, 2023 and October 29, 2022	8 – 22
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23 – 29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	30
Item 4. Controls and Procedures	30
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings	31
Item 1A. Risk Factors	31
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3. Defaults Upon Senior Securities	32
Item 4. Mine Safety Disclosures	32
Item 5. Other Information	32
Item 6. Exhibits	32
Signatures	33

**PART I FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**THE CATO CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND  
COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2023</b>	<b>October 29, 2022</b>	<b>October 28, 2023</b>	<b>October 29, 2022</b>
	<b>(Dollars in thousands, except per share data)</b>			
<b>REVENUES</b>				
Retail sales	\$ 156,682	\$ 174,921	\$ 528,174	\$ 574,860
Other revenue (principally finance charges, late fees and layaway charges)	<u>1,574</u>	<u>1,705</u>	<u>5,003</u>	<u>5,351</u>
Total revenues	<u><b>158,256</b></u>	<u>176,626</u>	<u><b>533,177</b></u>	<u>580,211</u>
<b>COSTS AND EXPENSES, NET</b>				
Cost of goods sold (exclusive of depreciation shown below)	<b>105,832</b>	123,752	<b>345,536</b>	387,744
Selling, general and administrative (exclusive of depreciation shown below)	<b>61,792</b>	61,397	<b>185,344</b>	182,606
Depreciation	<b>2,504</b>	2,864	<b>7,371</b>	8,418
Interest and other income	<u>(1,523)</u>	<u>(2,278)</u>	<u>(3,754)</u>	<u>(4,565)</u>
Costs and expenses, net	<u><b>168,605</b></u>	<u>185,735</u>	<u><b>534,497</b></u>	<u>574,203</u>
Income (loss) before income taxes	<b>(10,349)</b>	(9,109)	<b>(1,320)</b>	6,008
Income tax (benefit) expense	<b>(4,272)</b>	(4,656)	<b>(797)</b>	2,988
Net income (loss)	<u><b>\$ (6,077)</b></u>	<u>\$ (4,453)</u>	<u><b>\$ (523)</b></u>	<u>\$ 3,020</u>
Basic earnings (loss) per share	<u><b>\$ (0.30)</b></u>	<u>\$ (0.21)</u>	<u><b>\$ (0.02)</b></u>	<u>\$ 0.14</u>
Diluted earnings (loss) per share	<u><b>\$ (0.30)</b></u>	<u>\$ (0.21)</u>	<u><b>\$ (0.02)</b></u>	<u>\$ 0.14</u>
Comprehensive income:				
Net income (loss)	<b>\$ (6,077)</b>	\$ (4,453)	<b>\$ (523)</b>	\$ 3,020
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of \$60 and \$217 for the three and nine months ended October 28, 2023 and (\$189) and (\$532) for the three and nine months ended October 29, 2022, respectively	<u>201</u>	<u>(629)</u>	<u>723</u>	<u>(1,774)</u>
Comprehensive income (loss)	<u><b>\$ (5,876)</b></u>	<u>\$ (5,082)</u>	<u><b>\$ 200</b></u>	<u>\$ 1,246</u>

See notes to condensed consolidated financial statements (unaudited).

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

**October 28, 2023** ~~January 28, 2023~~

<b>ASSETS</b>	<b>(Dollars in thousands)</b>	
Current Assets:		
Cash and cash equivalents	\$ 25,024	\$ 20,005
Short-term investments	93,552	108,652
Restricted cash	3,908	3,787
Accounts receivable, net of allowance for customer credit losses of \$742 and \$761 at October 28, 2023 and January 28, 2023, respectively	31,115	26,497
Merchandise inventories	98,872	112,056
Prepaid expenses and other current assets	8,591	6,676
Total Current Assets	261,062	277,673
Property and equipment – net	66,302	70,382
Noncurrent deferred income taxes	10,977	9,213
Other assets	25,444	21,596
Right-of-Use assets – net	123,583	174,276
Total Assets	\$ 487,368	\$ 553,140
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 86,897	\$ 91,956
Accrued expenses	42,521	41,338
Accrued employee benefits and bonus	1,387	1,690
Accrued income taxes	1,988	613
Current lease liability	51,431	67,360
Total Current Liabilities	184,224	202,957
Other noncurrent liabilities	14,683	16,183
Lease liability	71,143	107,407
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; 18,821,512 shares and 18,723,225 shares issued at October 28, 2023 and January 28, 2023, respectively	636	632
Convertible Class B common stock, \$0.033 par value per share, 15,000,000 shares authorized; 1,763,652 shares and 1,763,652 shares issued at October 28, 2023 and January 28, 2023, respectively	59	59
Additional paid-in capital	125,949	122,431
Retained earnings	91,189	104,709
Accumulated other comprehensive income (loss)	(515)	(1,238)
Total Stockholders' Equity	217,318	226,593
Total Liabilities and Stockholders' Equity	\$ 487,368	\$ 553,140

See notes to condensed consolidated financial statements (unaudited).

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<u>Nine Months Ended</u>	
	<u>October 28, 2023</u>	<u>October 29, 2022</u>
	(Dollars in thousands)	
<b>Operating Activities:</b>		
Net income (loss)	\$ (523)	\$ 3,020
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	7,371	8,418
Provision for customer credit losses	397	217
Purchase premium and premium amortization of investments	(226)	606
Share-based compensation	3,189	1,517
Deferred income taxes	(1,981)	-
Loss on disposal of property and equipment	13	106
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(1,815)	29,916
Merchandise inventories	13,184	8,189
Prepaid and other assets	(1,716)	1,704
Operating lease right-of-use assets and liabilities	(1,499)	(1,895)
Accrued income taxes	1,375	1,918
Accounts payable, accrued expenses and other liabilities	(6,099)	(34,418)
Net cash provided by operating activities	<u>11,670</u>	<u>19,298</u>
<b>Investing Activities:</b>		
Expenditures for property and equipment	(10,271)	(14,382)
Purchase of short-term investments	(44,595)	(53,765)
Sales of short-term investments	60,999	68,348
Net cash provided by investing activities	<u>6,133</u>	<u>201</u>
<b>Financing Activities:</b>		
Dividends paid	(10,457)	(10,870)
Repurchase of common stock	(2,563)	(11,561)
Proceeds from employee stock purchase plan	357	279
Net cash used in financing activities	<u>(12,663)</u>	<u>(22,152)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	5,140	(2,653)
Cash, cash equivalents, and restricted cash at beginning of period	23,792	23,678
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 28,932</u>	<u>\$ 21,025</u>
<b>Non-cash activity:</b>		
Accrued other assets and property and equipment	\$ 1,100	\$ 2,311

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)					
<b>Balance — January 28, 2023</b>	\$ 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)
<b>Balance — April 29, 2023</b>	\$ 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)
<b>Balance — July 29, 2023</b>	\$ 695	\$ 124,798	\$ 100,756	\$ (716)	\$ 225,533
Comprehensive income:					
Net loss	-	-	(6,077)	-	(6,077)
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of \$60	-	-	-	201	201
Dividends paid (\$0.17 per share)	-	-	(3,495)	-	(3,495)
Class A common stock sold through employee stock purchase plan	1	188	-	-	189
Share-based compensation issuances and exercises	-	-	-	-	-
Share-based compensation expense	(1)	963	5	-	967
Repurchase and retirement of treasury shares	-	-	-	-	-
<b>Balance — October 28, 2023</b>	\$ 695	\$ 125,949	\$ 91,189	\$ (515)	\$ 217,318

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)					
<b>Balance — January 29, 2022</b>	\$ 728	\$ 119,540	\$ 134,208	\$ (280)	\$ 254,196
Comprehensive income:					
Net income	-	-	9,748	-	9,748
Unrealized net losses on available-for-sale securities, net of deferred income tax benefit of \$362	-	-	-	(1,206)	(1,206)
Dividends paid (\$0.17 per share)	-	-	(3,638)	-	(3,638)
Class A common stock sold through employee stock purchase plan	-	111	-	-	111
Share-based compensation issuances and exercises	-	-	5	-	5
Share-based compensation expense	-	598	-	-	598
Repurchase and retirement of treasury shares	(20)	-	(9,142)	-	(9,162)
<b>Balance — April 30, 2022</b>	\$ 708	\$ 120,249	\$ 131,181	\$ (1,486)	\$ 250,652
Comprehensive income:					
Net loss	-	-	(2,274)	-	(2,274)
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of \$18	-	-	-	61	61
Dividends paid (\$0.17 per share)	-	-	(3,632)	-	(3,632)
Class A common stock sold through employee stock purchase plan	-	62	-	-	62
Share-based compensation issuances and exercises	7	308	6	-	321
Share-based compensation expense	-	1,077	-	-	1,077
Repurchase and retirement of treasury shares	(1)	-	(433)	-	(434)
<b>Balance — July 30, 2022</b>	\$ 714	\$ 121,696	\$ 124,848	\$ (1,425)	\$ 245,833
Comprehensive income:					
Net loss	-	-	(4,453)	-	(4,453)
Unrealized net losses on available-for-sale securities, net of deferred income tax benefit of \$189	-	-	-	(629)	(629)
Dividends paid (\$0.17 per share)	-	-	(3,600)	-	(3,600)
Class A common stock sold through employee stock purchase plan	1	154	-	-	155
Share-based compensation issuances and exercises	-	(308)	-	-	(308)
Share-based compensation expense	(3)	(228)	5	-	(226)
Repurchase and retirement of treasury shares	(7)	-	(1,958)	-	(1,965)
<b>Balance — October 29, 2022</b>	\$ 705	\$ 121,314	\$ 114,842	\$ (2,054)	\$ 234,807

See notes to condensed consolidated financial statements (unaudited).

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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**NOTE 1 - GENERAL:**

The condensed consolidated financial statements as of October 28, 2023 and for the thirty-nine-week periods ended October 28, 2023 and October 29, 2022 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 presentation 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 January 28, 2023. Amounts as of January 28, 2023 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 November 16, 2023, the Board of Directors maintained the quarterly dividend at \$0.17 per share.

During the third quarter of the current fiscal year, the Company received an estimate for costs to repair its corporate jet, which had sustained damage at the end of the second quarter. The Company determined that the cost of repair is recoverable and recorded a receivable for the estimated repair cost of \$ 3.2 million.

Management has determined that it is more likely than not that the aircraft will be sold within the next 12 months. The Company reclassified the aircraft as an asset held for sale at its estimated fair value of \$4.2 million, which is included in Other assets in the accompanying Condensed Consolidated Balance Sheets as of October 28, 2023.



**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**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 (Loss) and Comprehensive Income (Loss). 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		Nine Months Ended	
	October 28, 2023	October 29, 2022	October 28, 2023	October 29, 2022
	(Dollars in thousands)			
<b>Numerator</b>				
Net earnings (loss)	\$ (6,077)	\$ (4,453)	\$ (523)	\$ 3,020
(Earnings) loss allocated to non-vested equity awards	346	240	49	(153)
Net earnings (loss) available to common stockholders	\$ (5,731)	\$ (4,213)	\$ (474)	\$ 2,867
<b>Denominator</b>				
Basic weighted average common shares outstanding	19,421,701	19,934,592	19,373,411	20,029,703
Diluted weighted average common shares outstanding	19,421,701	19,934,592	19,373,411	20,029,703
<b>Net income (loss) per common share</b>				
Basic earnings (loss) per share	\$ (0.30)	\$ (0.21)	\$ (0.02)	\$ 0.14
Diluted earnings (loss) per share	\$ (0.30)	\$ (0.21)	\$ (0.02)	\$ 0.14

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**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 October 28, 2023:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>	
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>	
Beginning Balance at July 29, 2023	\$	(716)
Other comprehensive income before reclassification		185
Amounts reclassified from accumulated other comprehensive income (b)		<u>16</u>
Net current-period other comprehensive income		<u>201</u>
Ending Balance at October 28, 2023	\$	<u>(515)</u>

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

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the nine months ended October 28, 2023:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>	
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>	
Beginning Balance at January 28, 2023	\$	(1,238)
Other comprehensive income before reclassification		704
Amounts reclassified from accumulated other comprehensive income (b)		<u>19</u>
Net current-period other comprehensive income		<u>723</u>
Ending Balance at October 28, 2023	\$	<u>(515)</u>

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

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**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 October 29, 2022:

	<u>Changes in Accumulated Other Comprehensive Income (a)</u>
	<u>Unrealized Gains and (Losses) on Available-for-Sale Securities</u>
Beginning Balance at July 30, 2022	\$ (1,425)
Other comprehensive income before reclassifications	(637)
Amounts reclassified from accumulated other comprehensive income (b)	<u>8</u>
Net current-period other comprehensive income	<u>(629)</u>
Ending Balance at October 29, 2022	<u>\$ (2,054)</u>

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

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the nine months ended October 29, 2022:

	<u>Changes in Accumulated Other Comprehensive Income (a)</u>
	<u>Unrealized Gains and (Losses) on Available-for-Sale Securities</u>
Beginning Balance at January 29, 2022	\$ (280)
Other comprehensive income before reclassifications	(1,788)
Amounts reclassified from accumulated other comprehensive income (b)	<u>14</u>
Net current-period other comprehensive income	<u>(1,774)</u>
Ending Balance at October 29, 2022	<u>\$ (2,054)</u>

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

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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**NOTE 4 – FINANCING ARRANGEMENTS:**

As of October 28, 2023, the Company has an unsecured revolving credit line, 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 revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On October 24, 2023, the Company amended the revolving credit agreement to link the calculation of the Company's EBITDAR coverage ratio to the amount of the Company's cash and investments. Though the effect of the amendment reduced the minimum EBITDAR coverage ratio for the quarter ended October 28, 2023 and is expected to do so going forward, the Company was in compliance with the amended credit agreement for the quarter ended October 28, 2023 and also would have been in compliance without giving effect to the amendment. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of October 28, 2023. The weighted average interest rate under the credit facility was zero at October 28, 2023 due to no borrowings outstanding.

**NOTE 5 – REPORTABLE SEGMENT INFORMATION:**

The Company has determined that it has four operating segments, as defined under ASC 280-10 – *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 October 28, 2023, 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 a wholly-owned subsidiary of the Company.

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):**

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

<b>Three Months Ended October 28, 2023</b>	<b>Retail</b>	<b>Credit</b>	<b>Total</b>	<b>Nine Months Ended October 28, 2023</b>	<b>Retail</b>	<b>Credit</b>	<b>Total</b>
Revenues	\$157,595	\$661	\$158,256	Revenues	\$531,243	\$1,934	\$533,177
Depreciation	2,504	-	2,504	Depreciation	7,370	1	7,371
Interest and other income	(1,523)	-	(1,523)	Interest and other income	(3,754)	-	(3,754)
Income (loss) before income taxes	(10,604)	255	(10,349)	Income (loss) before income taxes	(2,014)	694	(1,320)
Capital expenditures	1,801	-	1,801	Capital expenditures	10,271	-	10,271

  

<b>Three Months Ended October 29, 2022</b>	<b>Retail</b>	<b>Credit</b>	<b>Total</b>	<b>Nine Months Ended October 29, 2022</b>	<b>Retail</b>	<b>Credit</b>	<b>Total</b>
Revenues	\$176,057	\$569	\$176,626	Revenues	\$578,580	\$1,631	\$580,211
Depreciation	2,864	-	2,864	Depreciation	8,417	1	8,418
Interest and other income	(2,278)	-	(2,278)	Interest and other income	(4,565)	-	(4,565)
Income (loss) before income taxes	(9,280)	171	(9,109)	Income before income taxes	5,623	385	6,008
Capital expenditures	3,998	-	3,998	Capital expenditures	14,382	-	14,382

Total assets as of October 28, 2023, ~~\$450,420~~ \$36,948 \$487,368  
Total assets as of January 28, 2023, ~~\$23,609~~ 38,531 553,140

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):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 28, 2023</b>	<b>October 29, 2022</b>	<b>October 28, 2023</b>	<b>October 29, 2022</b>
Payroll	\$ 135	\$ 120	\$ 411	\$ 389
Postage	111	107	321	299
Other expenses	160	172	507	557
Total expenses	<u>\$ 406</u>	<u>\$ 399</u>	<u>\$ 1,239</u>	<u>\$ 1,245</u>

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**NOTE 6 – STOCK-BASED COMPENSATION:**

As of October 28, 2023, the Company had two long-term compensation plans pursuant to which stock-based compensation was outstanding or could be granted. The 2018 Incentive Compensation Plan and 2013 Incentive Compensation Plan are for the granting of various forms of equity-based awards, including restricted stock and stock options for grant, to officers, directors and key employees. Effective May 24, 2018, shares for grant were no longer available under the 2013 Incentive Compensation Plan.

The following table presents the number of options and shares of restricted stock initially authorized and available for grant under each of the plans as of October 28, 2023:

	2013 Plan	2018 Plan	Total
Options and/or restricted stock initially authorized	1,500,000	4,725,000	6,225,000
Options and/or restricted stock available for grant: October 28, 2023		- 3,124,274	3,124,274

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 October 28, 2023 and January 28, 2023, there was \$10,488,000 and \$10,543,000, 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. Total compensation expense during the three and nine months ended October 28, 2023 was \$967,000 and \$3,126,000, respectively, compared to total compensation benefit of \$535,000 and total compensation expense of \$1,471,000 for the three and nine months ended October 29, 2022, respectively. These amounts are classified as a component of Selling, general and administrative expenses in the Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

The following summary shows the changes in the number of shares of unvested restricted stock outstanding during the nine months ended October 28, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at January 28, 2023	1,059,433	\$ 13.10
Granted	414,502	8.29
Vested	(217,238)	13.97
Forfeited or expired	(109,705)	11.94
Restricted stock awards at October 28, 2023	<u>1,146,992</u>	\$ 11.31

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**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 nine months ended October 28, 2023 and October 29, 2022, the Company sold 50,540 and 28,504 shares to employees at an average discount of \$1.23 and \$1.73 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 \$62,000 and \$49,000 for the nine months ended October 28, 2023 and October 29, 2022, respectively. These expenses are 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 October 28, 2023 and January 28, 2023:

<b>Description</b>	<b>October 28, 2023</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Assets:</b>				
State/Municipal Bonds	\$ 15,700	\$ -	\$ 15,700	\$ -
Corporate Bonds	47,759	-	47,759	-
U.S. Treasury/Agencies Notes and Bonds	25,625	-	25,625	-
Cash Surrender Value of Life Insurance	9,038	-	-	9,038
Asset-backed Securities (ABS)	4,468	-	4,468	-
Corporate Equities	788	788	-	-
Commercial Paper	-	-	-	-
<b>Total Assets</b>	<b>\$ 103,378</b>	<b>\$ 788</b>	<b>\$ 93,552</b>	<b>\$ 9,038</b>
<b>Liabilities:</b>				
Deferred Compensation	\$ (8,311)	\$ -	\$ -	\$ (8,311)
<b>Total Liabilities</b>	<b>\$ (8,311)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,311)</b>

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

<u>Description</u>	<u>January 28, 2023</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
<b>Assets:</b>				
State/Municipal Bonds	\$ 23,102	\$ -	\$ 23,102	\$ -
Corporate Bonds	47,901	-	47,901	-
U.S. Treasury/Agencies Notes and Bonds	27,250	-	27,250	-
Cash Surrender Value of Life Insurance	9,274	-	-	9,274
Asset-backed Securities (ABS)	9,373	-	9,373	-
Corporate Equities	923	923	-	-
Commercial Paper	1,026	-	1,026	-
<b>Total Assets</b>	<b>\$ 118,849</b>	<b>\$ 923</b>	<b>\$ 108,652</b>	<b>\$ 9,274</b>
<b>Liabilities:</b>				
Deferred Compensation	\$ (8,903)	\$ -	\$ -	\$ (8,903)
<b>Total Liabilities</b>	<b>\$ (8,903)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,903)</b>

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 October 28, 2023 and January 28, 2023. The state, municipal and corporate bonds have contractual maturities which range from four days to 3.1 years. The U.S. Treasury Notes have contractual maturities which range from 79 days to 2.3 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash and Other assets on the accompanying 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.

Additionally, at October 28, 2023, the Company had \$0.8 million of corporate equities and deferred compensation plan assets of \$9.0 million. At January 28, 2023, the Company had \$0.9 million of corporate equities and deferred compensation plan assets of \$9.3 million. All of these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets.

Level 1 securities are measured at fair value using quoted active market prices. Level 2 investment securities include corporate bonds, municipal bonds and asset-backed securities 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 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



**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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 nine months ended October 28, 2023 and the year ended January 28, 2023 (in thousands):

	Fair Value Measurements Significant Inputs Unobservable (Level 3) Value	
Beginning Balance at January 28, 2023	9,274	
Redemptions	-	
Additions	-	
Total gains or (losses):		
Included in interest and other income (or changes in net assets)	(236)	
Included in other comprehensive income	-	
Ending Balance at October 28, 2023	<u>9,038</u>	

	Fair Value Measurements Significant Inputs Unobservable (Level 3) Value	
Beginning Balance at January 28, 2023	(8,903)	
Redemptions	662	
Additions	(231)	
Total (gains) or losses:		
Included in interest and other income (or changes in net assets)	161	
Included in other comprehensive income	-	
Ending Balance at October 28, 2023	<u>(8,311)</u>	

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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	<b>Fair Value Measurements Significant Unobservable Inputs (Level 3)</b>	
Beginning Balance at January 29, 2023	Value	11,472
Redemptions		(1,718)
Additions		-
Total gains or (losses):		
Included in interest and other income (or changes in net assets)		(480)
Included in other comprehensive income		-
Ending Balance at January 28, 2023	<u>\$</u>	<u>9,274</u>

	<b>Fair Value Measurements Significant Unobservable Inputs (Level 3)</b>	
Beginning Balance at January 29, 2023	Compensation	(10,020)
Redemptions		1,142
Additions		(379)
Total (gains) or losses:		
Included in interest and other income (or changes in net assets)		354
Included in other comprehensive income		-
Ending Balance at January 28, 2023	<u>\$</u>	<u>(8,903)</u>

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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**NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS:**

The Company has reviewed recent accounting pronouncements and believe none will have a material impact on the Company's financial statements.

**NOTE 9 – INCOME TAXES:**

The Company had an effective tax rate for the first nine months of 2023 of 60.4% compared to 49.7% for the first nine months of 2022. The change in the effective tax rate for the first nine months was primarily due to increases in foreign rate differential and the release of reserves for uncertain tax positions, offset by decreases in Global Intangible Low-taxed Income (GILTI), state income taxes, non-deductible officer's compensation, and foreign tax credits, as percentages on a pre-tax loss.

**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. Layaway sales are recorded as deferred revenue until the customer takes possession of, or forfeits, the merchandise. Gift cards do not have expiration dates. 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 CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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 nine months ended October 28, 2023, the Company estimated customer credit losses of \$149,000 and \$421,000, respectively, compared to \$89,000 and \$261,000 for the three and nine months ended October 29, 2022, respectively. Sales purchased on the Company's proprietary credit card for the three and nine months ended October 28, 2023 were \$5.7 million and \$17.4 million, respectively, compared to \$5.9 million and \$17.4 million for the three and nine months ended October 29, 2022, respectively.

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

	<u>Balance as of</u>	
	<u>October 28, 2023</u>	<u>January 28,</u>
		2023
Proprietary Credit Card Receivables	\$ net 11,066	\$ 10,553
Gift Card Liability	\$ 6,622	\$ 8,523

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

**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):

	<b>Three Months Ended</b>	
	<b>October 28, 2023</b>	<b>October 29, 2022</b>
Operating lease cost (a)	\$ 17,498	\$ 17,919
Variable lease cost (b)	\$ 544	\$ 707

(a) Includes right-of-use asset amortization of \$0.2 million and \$0.4 million for the three months ended October 28, 2023 and October 29, 2022, respectively.

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

	<b>Nine Months Ended</b>	
	<b>October 28, 2023</b>	<b>October 29, 2022</b>
Operating lease cost (a)	\$ 53,174	\$ 53,521
Variable lease cost (b)	\$ 1,642	\$ 2,053

(a) Includes right-of-use asset amortization of \$1.6 million and \$1.6 million for the nine months ended October 28, 2023 and October 29, 2022, respectively.

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

**THE CATO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND**  
**OCTOBER 29, 2022**

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

**Operating cash flow information:**

	<u>Three Months Ended</u>	
	<u>October 28, 2023</u>	<u>October 29, 2022</u>
Cash paid for amounts included in the measurement of lease liabilities	<b>16,671</b> \$	17,264
<b>Non-cash activity:</b>		
Right-of-use assets obtained in exchange for lease obligations	<b>(1,468)</b> \$	2,107

	<u>Nine Months Ended</u>	
	<u>October 28, 2023</u>	<u>October 29, 2022</u>
Cash paid for amounts included in the measurement of lease liabilities	<b>50,696</b> \$	51,138
<b>Non-cash activity:</b>		
Right-of-use assets obtained in exchange for lease obligations	<b>1,435</b> \$	8,156

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

	<u>As of</u>	
	<u>October 28, 2023</u>	<u>October 29, 2022</u>
Weighted-average remaining lease term	<b>1.8</b> years	2.0years
Weighted-average discount rate	<b>3.30</b> %	2.84%

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

**Fiscal Year**

2023 (a)	\$ 16,144
2024	49,756
2025	32,711
2026	19,525
2027	9,165
Thereafter	<u>1,836</u>
Total lease payments	129,137
Less: Imputed interest	<u>6,563</u>
Present value of lease liabilities	<b>\$ 122,574</b>

(a) Excluding the nine months ended October 28, 2023

**THE CATO CORPORATION**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL**  
**CONDITION AND RESULTS OF OPERATIONS**

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**FORWARD-LOOKING INFORMATION:**

The following information 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 3, 2024 ("fiscal 2023") 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 the COVID-19 pandemic and related responses and mitigation efforts, as well as the potential impact of supply chain disruptions, inflationary pressures and other economic or market conditions on our business, results of operations and financial condition and statements regarding new store development strategy; 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 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 successfully implement our new store development strategy to increase new store openings and our ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global COVID-19 pandemic) or similar conditions that may affect our 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 January 28, 2023 ("fiscal 2022"), 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.

**THE CATO CORPORATION  
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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**CRITICAL ACCOUNTING POLICIES AND ESTIMATES:**

The Company’s accounting policies 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 January 28, 2023. As disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” 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, 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.



**THE CATO CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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**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:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 28, 2023</u>	<u>October 29, 2022</u>	<u>October 28, 2023</u>	<u>October 29, 2022</u>
Total retail sales	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%
Other revenue	<b>1.0</b>	1.0	<b>0.9</b>	0.9
Total revenues	<b>101.0</b>	101.0	<b>100.9</b>	100.9
Cost of goods sold (exclusive of depreciation)	<b>67.5</b>	70.7	<b>65.4</b>	67.5
Selling, general and administrative (exclusive of depreciation)	<b>39.4</b>	35.1	<b>35.1</b>	31.8
Depreciation	<b>1.6</b>	1.6	<b>1.4</b>	1.5
Interest and other income	<b>(1.0)</b>	(1.3)	<b>(0.7)</b>	(0.8)
Income (loss) before income taxes	<b>(6.6)</b>	(5.2)	<b>(0.3)</b>	1.0
Net income (loss)	<b>(3.9)</b>	(2.5)	<b>(0.1)</b>	0.5

**THE CATO CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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**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 2022 Annual Report on Form 10-K.

**Recent Developments**

*Inflationary Cost Pressure and High Interest Rates*

Despite some reduction in inflationary pressures from last year, wages, operating supplies, and service costs continue to be negatively impacted by the current inflationary environment. In addition, our customers' disposable income is impacted by increased costs related to fuel, food, housing, including rent, and other consumable products relative to flattening wage rates, which negatively impact our customers' willingness to purchase discretionary items such as apparel, jewelry and shoes.

In response, the Federal Reserve began raising, and is committed to continue raising, interest rates until inflationary pressures subside to acceptable levels. Though the Federal Reserve has paused raising rates, it has indicated it is committed to reducing inflation to its targeted levels. These high interest rates have adversely affected the availability and cost of credit for both businesses and our customers. Increasing costs related to revolving credit, auto loans and mortgages continue to negatively impact our customers' discretionary income. Our customers' willingness to purchase our products may continue to be negatively impacted by these inflationary pressures and high interest rates.

We believe high prices and interest rates negatively impacted the first three quarters of fiscal 2023 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 2023.

**Comparison of the Three and Nine Months ended October 28, 2023 with October 29, 2022**

Total retail sales for the third quarter were \$156.7 million compared to last year's third quarter sales of \$174.9 million, a 10% decrease. The Company's sales decrease in the third quarter of fiscal 2023 was primarily due to an 8% decrease in same-store sales and closed stores, partially offset by sales from new stores. For the nine months ended October 28, 2023, total retail sales were \$528.2 million compared to last year's comparable nine month sales of \$574.9 million, an 8% decrease. The decrease in sales in the first nine months of fiscal 2023 was due primarily to a 6% decrease in same-store sales and closed stores, partially offset by sales from new stores. 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 nine months ended October 28, 2023 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 \$158.3 million and \$533.2 million for the three and nine months ended October 28, 2023, compared to \$176.6 million and \$580.2 million for the three and nine months ended October 29, 2022, respectively. The Company operated 1,245 stores at October 28, 2023 compared to 1,317 stores at the end of last year's third

**THE CATO CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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quarter. During the first nine months of fiscal 2023, the Company opened nine stores and closed 44 stores. The Company currently expects to close approximately 110 stores in total in fiscal 2023.

Credit revenue of \$0.7 million represented 0.4% of total revenues in the third quarter of fiscal 2023, compared to 2022 credit revenue of \$0.6 million or 0.3% 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 third quarter of fiscal 2023, compared to last year's third quarter expense of \$0.4 million.

Other revenue, a component of total revenues, was \$1.6 million and \$5.0 million for the three and nine months ended October 28, 2023, respectively, compared to \$1.7 million and \$5.4 million for the prior year's comparable three and nine month periods. The decrease in Other revenue for both the three and nine months was due to decreases in gift card breakage and e-commerce shipping revenue partially offset by increases in finance charges and late fees associated with the Company's proprietary credit card.

Cost of goods sold was \$105.8 million, or 67.5% of retail sales and \$345.5 million, or 65.4% of retail sales for the three and nine months ended October 28, 2023, respectively, compared to \$123.8 million, or 70.7% of retail sales and \$387.7 million, or 67.5% of retail sales for the comparable three and nine month periods of fiscal 2022. The overall decrease in cost of goods sold as a percent of retail sales for the third quarter and first nine months of fiscal 2023 resulted primarily from lower ocean freight costs and increased sales of regular priced goods, partially offset by deleveraging of occupancy and buying costs. 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 0.6% to \$50.9 million for the third quarter of fiscal 2023 and by 2.4% to \$182.6 million for the first nine months of fiscal 2023, compared to \$51.2 million and \$187.1 million for the prior year's comparable three and nine months of fiscal 2022, 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 \$61.8 million, or 39.4% of retail sales and \$185.3 million, or 35.1% of retail sales for the third quarter and first nine months of fiscal 2023, respectively, compared to \$61.4 million, or 35.1% of retail sales and \$182.6 million, or 31.8% of retail sales for the prior year's comparable three and nine month periods, respectively. The increase in SG&A for the third quarter and first nine months of fiscal 2023 was primarily due to higher payroll and insurance expense.

Depreciation expense was \$2.5 million, or 1.6% of retail sales and \$7.4 million, or 1.4% of retail sales for the third quarter and first nine months of fiscal 2023, respectively, compared to \$2.9 million, or 1.6% of retail sales and \$8.4 million or 1.5% of retail sales for the comparable three and nine month periods of fiscal 2022, respectively.

Interest and other income was \$1.5 million, or 1.0% of retail sales and \$3.8 million, or 0.7% of retail sales for the three and nine months ended October 28, 2023, respectively, compared to \$2.3 million, or 1.3% of retail sales and \$4.6 million, or 0.8% of retail sales for the comparable three and nine month periods of fiscal 2022, respectively. The decrease for the third quarter and first nine months of fiscal 2023 compared to fiscal 2022

**THE CATO CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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was primarily attributable to the Company's receipt of a Business Recovery Grant from the state of North Carolina in 2022, partially offset by higher amounts earned on investments due to higher interest rates.

Income tax benefit was \$4.3 million and \$0.8 million for the third quarter and first nine months of fiscal 2023, respectively, compared to a tax benefit of \$4.7 million and a tax expense of \$3.0 million for the comparable three and nine month periods of fiscal 2022, respectively. For the first nine months of fiscal 2023, the Company's effective tax rate was 60.4% compared to 49.7% for the first nine months of fiscal 2022. The change in the 2023 year-to-date effective tax rate was primarily due to increases in foreign rate differential and the release of reserves for uncertain tax positions, offset by decreases in Global Intangible Low-taxed Income (GILTI), state income taxes, non-deductible officer's compensation, and foreign tax credits, as percentages on a pre-tax loss.

**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 fiscal 2023 and the next 12 months.

Cash provided by operating activities during the first nine months of fiscal 2023 was \$11.7 million as compared to \$19.3 million provided in the first nine months of fiscal 2022. The decrease in cash provided of \$7.6 million for the first nine months of fiscal 2023 as compared to the first nine months of fiscal 2022 was primarily due to a net loss in 2023 compared to net income in 2022, and higher accounts receivable, partially offset by lower accounts payable and accrued liabilities.

At October 28, 2023, the Company had working capital of \$76.8 million compared to \$74.7 million at January 28, 2023. 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.

As of October 28, 2023, the Company has an unsecured revolving credit line, 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 revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On October 24, 2023, the Company amended the revolving credit agreement to link the calculation of the Company's EBITDAR coverage ratio to the amount of the Company's cash and investments. Though the effect of the amendment reduced the minimum EBITDAR coverage ratio for the quarter ended October 28, 2023 and is expected to do so going forward, the Company was in compliance with the amended credit agreement for the quarter ended October 28, 2023 and also would have been in compliance without giving effect to the amendment. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of October 28, 2023. The weighted average interest rate under the credit facility was zero at October 28, 2023 due to no borrowings outstanding.

Expenditures for property and equipment totaled \$10.3 million in the first nine months of fiscal 2023, compared to \$14.4 million in last fiscal year's first nine 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 2023 year, the Company expects to invest approximately \$12.0 million for capital expenditures.

**THE CATO CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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Net cash provided by investing activities totaled \$6.1 million in the first nine months of fiscal 2023 compared to \$0.2 million net cash provided in the comparable period of 2022. The increase in net cash provided in 2023 was primarily due to a decrease in capital expenditures.

Net cash used in financing activities totaled \$12.7 million in the first nine months of fiscal 2023 compared to \$22.2 million used in the comparable period of fiscal 2022. The decrease in net cash used in fiscal 2023 was primarily due to lower stock repurchases.

On November 16, 2023, the Board of Directors maintained the quarterly dividend at \$0.17 per share.

As of October 28, 2023, the Company had 909,653 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 October 28, 2023 and January 28, 2023. The state, municipal and corporate bonds have contractual maturities which range from four days to 3.1 years. The U.S. Treasury Notes have contractual maturities which range from 79 days to 2.3 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash and Other assets on the accompanying 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.

Additionally, at October 28, 2023, the Company had \$0.8 million of corporate equities and deferred compensation plan assets of \$9.0 million. At January 28, 2023, the Company had \$0.9 million of corporate equities and deferred compensation plan assets of \$9.3 million. 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.

**THE CATO CORPORATION**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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**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 October 28, 2023. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of October 28, 2023, 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 October 28, 2023 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**THE CATO CORPORATION**

**PART II OTHER INFORMATION**

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**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 January 28, 2023. 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.

**THE CATO CORPORATION**

**PART II OTHER INFORMATION**

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**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 October 28, 2023:

**ISSUER PURCHASES OF EQUITY SECURITIES**

<u>Fiscal Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (1)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that may Yet be Purchased Under The Plans or Programs (2)</u>
August 2023	-	\$ -	-	-
September 2023	-	-	-	-
October 2023	-	-	-	-
Total	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>909,653</u>

(1) Prices include trading costs.

(2) As of July 29, 2023, the Company's share repurchase program had 909,653 shares remaining in open authorizations. During the third quarter ended October 28, 2023, the Company did not repurchase or retire any shares under this program. As of October 28, 2023, the Company had 909,653 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.



## THE CATO CORPORATION

### PART II OTHER INFORMATION

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#### **ITEM 4. MINE SAFETY DISCLOSURES:**

Not Applicable.

#### **ITEM 5. OTHER INFORMATION:**

During the three months ended October 28, 2023, 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:**

<u>Exhibit No.</u>	<u>Item</u>
3.1	<a href="#">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.</a>
3.2	<a href="#">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.</a>
10.1**	<a href="#">Second Amendment, dated as of August 9, 2023, to Credit Agreement, dated as of May 19 2022, among the Registrant, the banks party thereto and Wells Fargo Bank, National Association.</a>
10.2*	<a href="#">Third Amendment, dated as of October 24, 2023, to Credit Agreement, dated as of May 19 2022, among the Registrant, the banks party thereto and Wells Fargo Bank, National Association.</a>
31.1*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.</a>
31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.</a>
32.1*	<a href="#">Section 1350 Certification of Principal Executive Officer.</a>
32.2*	<a href="#">Section 1350 Certification of Principal Financial Officer.</a>
101.1*	The following materials from Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the Three Months and Nine Months Ended October 28, 2023 and October 29, 2022; (ii) Condensed Consolidated Balance Sheets at October 28, 2023 and January 28, 2023; (iii) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 28, 2023 and October 29, 2022; (iv) Condensed Consolidated Statements of Stockholders' Equity for the Nine Months Ended October 28, 2023 and October 29, 2022; and (v) Notes to Condensed Consolidated Financial Statements.
104.1	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101.1*)

**THE CATO CORPORATION**

**PART II OTHER INFORMATION**

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- \* Submitted electronically herewith.
- \*\* Included herein solely to correct an incorrect hyperlink in the Exhibit Index to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2023.

**THE CATO CORPORATION**

**PART II OTHER INFORMATION**

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**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 21, 2023

Date

/s/ John P. D. Cato

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

November 21, 2023

Date

/s/ Charles D. Knight

Charles D. Knight  
Executive Vice President  
Chief Financial Officer

**SECOND AMENDMENT TO CREDIT AGREEMENT**

**THIS SECOND AMENDMENT TO CREDIT AGREEMENT** (“**Amendment**”), dated as of August 9, 2023, is by and among THE CATO CORPORATION, a Delaware corporation (the “**Borrower**”), the Banks (as defined below) party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as agent on behalf of the Banks under the Credit Agreement (as hereinafter defined) (in such capacity, the “**Agent**”). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

**WITNESSETH**

**WHEREAS** the Borrower, certain Domestic Subsidiaries of the Borrower as may be from time to time party thereto, certain banks and financial institutions from time to time party thereto (the “**Banks**”) and the Agent are parties to that certain Credit Agreement dated as of May 19, 2022 (as amended by that certain First Amendment to Credit Agreement, dated as of June 6, 2022, and as further amended, modified, extended, restated, replaced, or supplemented from time to time, the “**Credit Agreement**”);

**WHEREAS** the Borrower has requested that the Required Banks and Agent amend certain provisions of the Credit Agreement; and

**WHEREAS** the Required Banks and the Agent are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

**NOW, THEREFORE** in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I**  
**AMENDMENTS TO CREDIT AGREEMENT**

**1.1 Amendment to Definition of EBITDAR** The definition of EBITDAR set forth in Section 1.01 of the Credit Agreement is hereby amended by changing the second clause “(a)” to clause “(b)”.

**1.2 Amendment to Definition of Minimum EBITDAR Coverage Ratio** The definition of Minimum EBITDAR Coverage Ratio set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

*“Minimum EBITDAR Coverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of (i) EBITDAR for the four-Fiscal Quarter period then ended, minus (a) Taxes paid in Cash for such four-Fiscal Quarter period, plus (b) following the date the financial statements are delivered pursuant to Section 5.01 for the Fiscal Quarter ended July 29, 2023 and without duplication of any amounts set forth in clause (b)(ii) of the definition of EBITDAR, the amount of income tax returns anticipated by the Borrower in good faith to be received from the Internal Revenue Service after August 1, 2023 in connection with taxes paid during the 2021 Fiscal Year (the “Income Tax Receivables”); provided, that (A) the amount added back pursuant to this clause (b) shall not exceed the lesser of (x) \$5,325,000 and (y) the actual amount of Income Tax*

*Receivables received from the Internal Revenue Service and (B) the addback set forth in this clause (b) shall no longer be available from and after the earlier of (I) receipt by the Borrower of any Income Tax Receivables from the Internal Revenue Service and (II) any reporting period*

following the end of the Fiscal Year ending February 3, 2024, to (ii) the Fixed Charges for such four-Fiscal Quarter period.

## ARTICLE II CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective as of the day and year set forth above (the "Second Amendment Effective Date") when the Agent shall have received a copy of this Amendment duly executed by each of the Borrower, the Required Banks and the Agent.

## ARTICLE III MISCELLANEOUS

**3.1 Amended Terms.** On and after the Second Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

**3.2 Reaffirmation of Obligations.** The Borrower hereby ratifies the Credit Agreement as amended by this Amendment and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement as so amended applicable to it and (b) that it is responsible for the observance and full performance of its Obligations.

**3.3 Loan Document.** This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

**3.4 Further Assurances.** The Borrower agrees to promptly take such action, upon the request of the Agent, as is necessary to carry out the intent of this Amendment.

**3.5 Entirety.** This Amendment and the other Loan Documents embody the entire agreement among the parties hereto relating to the subject matter hereof and thereof and supersede all previous documents, agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

**3.6 Counterparts: Telecopy.** This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which when so executed and delivered will constitute an original, but all of which when taken together will constitute a single contract. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

**3.7 No Actions, Claims, Etc.** As of the date hereof, the Borrower hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Agent, the Banks, or the Agent's or the Banks' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

**3.8 NORTH CAROLINA LAW.** THIS AMENDMENT SHALL BE CONSTRUED IN

**ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NORTH CAROLINA.**

**3.9 Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**3.10 Expenses.** Notwithstanding the provisions of Section 9.03 of the Credit Agreement, each party hereto agrees that it shall be responsible for its own expenses in connection with this Amendment *provided* however the Borrower shall pay fees and disbursements of outside counsel for the Agent in connection with the preparation of this Amendment in the amount of \$6,000.

**3.11 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.** Jurisdiction, service of process and waiver of jury trial provisions set forth in Section 9.16 of the Credit Agreement are hereby incorporated by reference *mutatis mutandis*.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:





AGENT AND BANKS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent, Issuing Bank and as a Bank

By: /s/ Brad D. Bostick

Name: Brad D. Bostick: Title: Senior Vice President

**THIRD AMENDMENT TO CREDIT AGREEMENT**

**THIS THIRD AMENDMENT TO CREDIT AGREEMENT** (this "Amendment"), dated as of October 24, 2023, is by and among THE CATO CORPORATION, a Delaware corporation (the "Borrower"), the Banks (as defined below) party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as agent on behalf of the Banks under the Credit Agreement (as hereinafter defined) (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

**WITNESSETH**

**WHEREAS**, the Borrower, certain Domestic Subsidiaries of the Borrower as may be from time to time party thereto, certain banks and financial institutions from time to time party thereto (the "Banks") and the Agent are parties to that certain Credit Agreement dated as of May 19, 2022 (as amended by that certain First Amendment to Credit Agreement, dated as of June 6, 2022, that certain Second Amendment to Credit Agreement, dated as of August 9, 2023, and as further amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement");

**WHEREAS**, the Borrower has requested that the Required Banks and Agent amend certain provisions of the Credit Agreement;

**WHEREAS**, the Required Banks and the Agent are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I  
AMENDMENTS TO CREDIT AGREEMENT**

**1.1 New Definitions.** The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order.

*"Liquidity" means, at any time, the unrestricted Cash and cash equivalents (including any short term investments made in accordance with the Borrower's Investment Policy) on the balance sheet of the Borrower and its Domestic Subsidiaries held in the United States. For the avoidance of doubt, unused Revolving Credit Commitments shall not be included in the calculation of Liquidity.*

*"Liquidity Event" means, at any time, Liquidity being less than*

\$100,000,000.

**1.2 Amendment to Section 5.01** Section 5.01(k) of the Credit Agreement is hereby renumbered to "Section 5.01(1)" and a new Section 5.01(k) is hereby added and shall read as follows:

*(k) Promptly upon the occurrence of a Liquidity Event, written notice to ~~Agmt.~~*

**1.3 Amendment to Section 5.03** Section 5.03 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

~~SECTION 5.03 Minimum EBITDAR Coverage Ratio.~~ Commencing as of the last day of the first Fiscal Quarter of Fiscal Year 2022, and in each case continuing on the last day of each Fiscal Quarter ending thereafter, the Minimum EBITDAR Coverage Ratio shall not be less than (a) to the extent Liquidity at any time during such Fiscal Quarter was less than \$100,000,000, 1.15 to 1.0 or (b) otherwise, 1.05 to 1.0. To the extent (i) a Liquidity Event occurs and (ii) the Minimum EBITDAR Coverage Ratio as of the most recently ended Fiscal Quarter for which Financial Statements have been delivered was less than 1.05 to 1.0, the Borrower shall be in violation of this Section 5.03 and an immediate Event of Default shall occur pursuant to Section 6.01(b).

## ARTICLE II CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective as of the day and year set forth above (the "Third Amendment Effective Date") when the Agent shall have received a copy of this Amendment duly executed by each of the Borrower, the Required Banks and the Agent.

## ARTICLE III MISCELLANEOUS

**3.1 Amended Terms.** On and after the Third Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

**3.2 Reaffirmation of Obligations.** The Borrower hereby ratifies the Credit Agreement as amended by this Amendment and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement as so amended applicable to it and (b) that it is responsible for the observance and full performance of its obligations.

**3.3 Loan Document.** This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

**3.4 Further Assurances.** The Borrower agrees to promptly take such action, upon the request of the Agent, as is necessary to carry out the intent of this Amendment.

**3.5 Entirety.** This Amendment and the other Loan Documents embody the entire agreement among the parties hereto relating to the subject matter hereof and thereof and supersede all previous documents, agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

**3.6 Counterparts; Telecopy.** This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which when so executed and delivered will constitute an original, but all of which when taken together will constitute a single contract. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

**3.7 No Actions. Claims. Etc**As of the date hereof, the Borrower hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages<sup>and</sup>

liabilities of whatever kind or nature, in law or in equity, against the Agent, the Banks, or the Agent's or the Banks' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

**3.8 NORTH CAROLINA LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NORTH CAROLINA.**

**3.9 Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**3.10 Expenses.** Notwithstanding the provisions of Section 9.03 of the Credit Agreement, each party hereto agrees that it shall be responsible for its own expenses in connection with this Amendment; *provided* however the Borrower shall pay fees and disbursements of outside counsel for the Agent in connection with the preparation of this Amendment in the amount of \$5,000.

**3.11 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.** The jurisdiction, service of process and waiver of jury trial provisions set forth in Section 9.16 of the Credit Agreement are hereby incorporated by reference *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:

THE CATO CORPORATION

A handwritten signature in black ink, appearing to read "Charles D. Knight", written over a horizontal line.

By:

Charles D. Knight

Executive Vice President and Chief Financial Officer

AGENT AND BANKS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent, Issuing Bank and as Bank



By: Brad D. Bostick Name: Brad D. Bostick:

Title: Senior Vice President

**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 statement of a material fact necessary to make the statements made, in light of the circumstances under which the 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 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:
  - 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 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 and the presentation 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 occurring 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: November 21, 2023

/s/ John P. D. Cato

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

**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 statement of a material fact necessary to make the statements made, in light of the circumstances under which the 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 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:
  - 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 and the presentation 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: November 21, 2023

/s/ Charles D. Knight

Charles D. Knight  
Executive Vice President  
Chief Financial Officer

**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 October 28, 2023 (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: November 21, 2023

/s/ John P. D. Cato

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

**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 October 28, 2023 (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: November 21, 2023

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

