
Form 8-K

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

Date of Report (Date of earliest event reported): March 18, 2010

THE CATO CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-31340
(Commission
File Number)

56-0484485
(IRS Employer
Identification No.)

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

28273-5975
(Zip Code)

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

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On March 18, 2010, The Cato Corporation issued a press release regarding its financial results for the fourth quarter and fiscal year ending January 30, 2010. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 – Press Release issued March 18, 2010.

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 hereunto duly authorized.

March 19, 2010
Date

March 19, 2010
Date

THE CATO CORPORATION

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

/s/ John R. Howe
John R. Howe
Executive Vice President
Chief Financial Officer

Exhibit Index

Exhibit

Exhibit No.

Press Release issued March 18, 2010.

99.1



The CATO Corporation

NEWS RELEASE

FOR IMMEDIATE RELEASE

CEO Approval _____

For Further Information Contact:

John R. Howe
Executive Vice President
Chief Financial Officer
704-551-7315

**CATO REPORTS NET INCOME AND EPS FOR 4Q AND 2009
Provides 2010 Outlook**

Charlotte, NC (March 18, 2010) – The Cato Corporation (NYSE: CATO) today reported net income for the fourth quarter and year ended January 30, 2010. For the fourth quarter, the Company reported net income of \$7.3 million or \$0.25 per diluted share, compared to net income of \$3.9 million or \$0.13 per diluted share for the fourth quarter ended January 31, 2009. For the quarter, net income increased 87% over the prior year and earnings per diluted share increased 92%. Full year 2009 net income was \$45.8 million or \$1.55 per diluted share compared to \$33.6 million or \$1.14 per diluted share for 2008. For the year, both net income and earnings per diluted share increased 36% over the prior year.

Sales for fiscal fourth quarter ended January 30, 2010 were \$217.7 million, a 4% increase over sales of \$209.1 million for the fourth quarter ended January 31, 2009. For the quarter, same-store sales increased 2%. The Company's sales for 2009 increase 3% to \$872.1 million from 2008 sales of \$845.7 million. For the year, same-store sales increased 1%.

"Cato again delivered strong results in a difficult economic environment," said John Cato, Chairman, President and Chief Executive Officer. "We continue to manage our inventory and tightly control expenses while offering great fashion and value to our customers."

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2009 REVIEW

For 2009, gross margin increased 320 basis points to 36.7% of sales due to higher merchandise margin as a result of lower markdowns. Selling, general and administrative expenses increased 130 basis points to 28.2% of sales primarily due to incentive compensation partially offset by a reduction in store closing costs. The Company's effective income tax rate decreased to 33.6% from 36.1% last year primarily due to lower state taxes. Net income was 5.2% of sales vs. 4.0 % last year.

"Cato's balance sheet remains strong with approximately \$200 million in cash and short-term investments and no debt," stated Mr. Cato. During 2009, the Company returned \$19.5 million in dividends to shareholders. The Company's annualized dividend of \$.66 per share represents a yield of approximately 3% based on the March 17 closing price of \$21.66.

For the fiscal year ended January 30, 2010, the Company opened 35 stores (including the conversion of 14 existing It's Fashion stores to It's Fashion Metro), relocated one store and closed 45 stores including the 14 conversions.

2010 OUTLOOK

The Company believes that 2010 will continue to be impacted by the uncertainty surrounding the country's difficult economy. The Company estimates same-store sales will be in a range of down 3% to flat and its gross margin rate will decrease slightly to 36.0% resulting in net income in a range of \$44.8 million to \$48.8 million. The Company estimates earnings per diluted share will be in a range of \$1.51 to \$1.64, a 3% decrease to a 6% increase over 2009.

The Company estimates first quarter net income to be in a range of \$20.9 million to \$22.1 million, or \$.71 to \$.75 per diluted share, an increase of 11% to 17%. This estimate is based on same-store sales of down 3% to flat.

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The Company's net income estimates for 2010 also reflect the following items:

- The Company expects to open 55 new stores during 2010. The expected new store openings include 15 new Cato stores and 40 new It's Fashion Metro stores (including the conversion of approximately 20 existing It's Fashion stores).
- The Company anticipates closing up to 40 stores by year end, including the 20 conversions mentioned above. At this time, one specific store has been identified for closure.
- Capital expenditures are projected to be approximately \$25 million, including \$12 million for store development.
- Depreciation is expected to be approximately \$21 million for the year.
- The effective tax rate is expected to be approximately 36.6%.

The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel and accessories operating two divisions, "Cato" and "It's Fashion". The Cato division offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices every day. The It's Fashion division offers fashion with a focus on the latest trendy styles and nationally recognized urban brands for the entire family at low prices every day. As of February 27, 2010, the Company operated 1,271 stores in 31 states, compared to 1,282 stores in 31 states as of February 28, 2009. Additional information on The Cato Corporation is available at www.catocorp.com.

Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected financial results for fiscal 2010 and the first quarter of 2010, including various components of net income, same-store sales, expected capital expenditures, and store openings and closings are considered "forward-looking" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions, and inventory risks due to shifts in market demand, as well as such other factors and considerations contained in the Company's Annual Report on Form 10-K and subsequently filed Quarterly Reports on Form 10-Q. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or internet services.

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(Dollars in thousands, except per share data)

	Quarter Ended				Twelve Months Ended			
	January 30, 2010	% Sales	January 31, 2009	% Sales	January 30, 2010	% Sales	January 31, 2009	% Sales
REVENUES								
Retail sales	\$ 217,743	100.0%	\$ 209,091	100.0%	\$ 872,132	100.0%	\$ 845,676	100.0%
Other income (principally finance, late fees and layaway charges)	3,139	1.4%	3,147	1.5%	11,863	1.4%	12,042	1.4%
Total revenues	<u>220,882</u>	<u>101.4%</u>	<u>212,238</u>	<u>101.5%</u>	<u>883,995</u>	<u>101.4%</u>	<u>857,718</u>	<u>101.4%</u>
GROSS MARGIN (Memo)	75,644	34.7%	63,846	30.5%	320,116	36.7%	283,620	33.5%
COSTS AND EXPENSES, NET								
Cost of goods sold	142,099	65.3%	145,245	69.5%	552,016	63.3%	562,056	66.5%
Selling, general and administrative	63,906	29.4%	56,894	27.2%	245,549	28.2%	227,698	26.9%
Depreciation	5,362	2.4%	5,691	2.7%	21,829	2.5%	22,572	2.7%
Interest and other income	(1,435)	-0.7%	(1,426)	-0.7%	(4,313)	-0.5%	(7,218)	-0.9%
Cost and expenses, net	<u>209,932</u>	<u>96.4%</u>	<u>206,404</u>	<u>98.7%</u>	<u>815,081</u>	<u>93.5%</u>	<u>805,108</u>	<u>95.2%</u>
Income Before Income Taxes	10,950	5.0%	5,834	2.8%	68,914	7.9%	52,610	6.2%
Income Tax Expense	<u>3,639</u>	<u>1.7%</u>	<u>1,968</u>	<u>0.9%</u>	<u>23,149</u>	<u>2.7%</u>	<u>18,976</u>	<u>2.2%</u>
Net Income	<u>\$ 7,311</u>	<u>3.3%</u>	<u>\$ 3,866</u>	<u>1.9%</u>	<u>\$ 45,765</u>	<u>5.2%</u>	<u>\$ 33,634</u>	<u>4.0%</u>
Basic Earnings Per Share	<u>\$ 0.25</u>		<u>\$ 0.13</u>		<u>\$ 1.55</u>		<u>\$ 1.14</u>	
Diluted Earnings Per Share	<u>\$ 0.25</u>		<u>\$ 0.13</u>		<u>\$ 1.55</u>		<u>\$ 1.14</u>	

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	January 30, 2010 (Unaudited)	January 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,385	\$ 42,262
Short-term investments	147,955	93,452
Restricted Cash	2,575	9,089
Accounts receivable - net	40,154	44,136
Merchandise inventories	118,628	112,290
Other current assets	<u>11,070</u>	<u>14,140</u>
Total Current Assets	370,767	315,369
Property and Equipment - net	102,769	116,262
Other Assets	<u>7,454</u>	<u>3,722</u>
TOTAL	<u>\$ 480,990</u>	<u>\$ 435,353</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
	\$ 168,702	\$ 150,730
Noncurrent Liabilities		
	21,210	22,810
Stockholders' Equity		
	<u>291,078</u>	<u>261,813</u>
TOTAL	<u>\$ 480,990</u>	<u>\$ 435,353</u>