

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
450 Fifth Street NW
Washington, D.C. 29549

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 16, 2023

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, North Carolina
(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))

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 is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

THE CATO CORPORATION

On March 16, 2023, The Cato Corporation issued a press release regarding its financial results for the fourth quarter ending January 28, 2023. A copy of this press release is hereby incorporated as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued March 16, 2023](#)

Exhibit 104 – Cover Page Interactive Data File (embedded within Inline XBRL document)

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

March 20, 2023

Date

/s/ John P. D. Cato

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

March 20, 2023

Date

/s/ Charles D. Knight

Charles D. Knight
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
99.1 - Press Release issued March 16, 2023	99.1
104 Cover page Interactive Data File (embedded within Inline XBRL document)	104

The CATO Corporation**NEWS RELEASE****FOR IMMEDIATE RELEASE**

For Further Information Contact:

Charles D. Knight
Executive Vice President
Chief Financial Officer
InvestorRelations@catocorp.com

CATO REPORTS 4Q AND FULL YEAR EARNINGS

CHARLOTTE, N.C. (March 16, 2023) – The Cato Corporation (NYSE: CATO) today reported a net loss of \$3.0 million or (\$0.14) per diluted share for the fourth quarter ended January 28, 2023, compared to a net loss of \$6.5 million or (\$0.30) per diluted share for the fourth quarter ended January 29, 2022. Full-year fiscal 2022 net income was \$0.0 million or \$0.00 per diluted share compared to net income of \$36.8 million or \$1.65 per diluted share for 2021.

Sales for the fourth quarter ended January 28, 2023 were \$177.5 million, or an increase of 2% from sales of \$173.6 million for the fourth quarter ended January 29, 2022. The Company's same-store sales for the quarter increased 3% compared to the same period in 2021.

For the year, the Company's sales decreased 1% to \$752.4 million from 2021 sales of \$761.4 million. Same-store sales for the year decreased 1% compared to 2021.

"We are pleased that we were able to deliver comparable store sales growth in the fourth quarter, in these challenging economic times. That said, we were negatively impacted by late merchandise shipments for most of the year, leading to significantly more markdowns than anticipated," said John Cato, Chairman, President and Chief Executive Officer. "The impact of rising inflation and higher interest rates on our customer's discretionary income, coupled with the negative impact of supply chain disruption on our merchandise assortment was difficult to overcome. Despite the challenges experienced throughout 2022, we have continued investing in key capital projects and efficiency initiatives in support of our long-term growth."

Fourth-quarter gross margin decreased from 36.9% to 31.3% of sales in 2022 reflecting pressure from increased markdowns, coupled with higher freight and distribution costs. Selling, General and Administrative expenses as a percent of sales decreased from 40.5% to 33.8% of sales during the quarter primarily due to lower store equipment expense and employee incentive compensation expense, partially offset by increased store operating expenses, related to investments in hourly associate wages and increased operating hours compared to the prior year. Income tax for the quarter was a benefit of \$1.2 million compared to an expense of \$0.2 million last year.

For the full year 2022, gross margin decreased from 40.5% of sales in 2021 to 32.3% of sales reflecting pressure from increased markdowns. Selling, general and administrative expenses decreased to 32.3% of sales compared to 35.1% in the prior year. The selling, general and administrative rate decrease was primarily due to lower employee incentive compensation expense and store equipment expense, partially offset by increased store operating expenses, related to investments in hourly associate wages and increased operating hours compared to prior year. Income tax expense for the year was \$1.7 million compared to an expense of \$2.1 million last year. Income tax expense for the year is primarily related to overseas operations.

“As we look ahead, we remain focused on our strategy of offering great fashion at a value, with outstanding customer service. We are planning cautiously for 2023, in an effort to remain nimble in this challenging economic environment. We anticipate the impact of inflation on our operating expenses and associate wages to continue. Additionally, the current inflationary and higher interest rate environment will continue to pressure our customers’ discretionary spending,” stated Mr. Cato. “We view 2023 as an opportunity to strengthen the Company, as we continue investments in support of our future growth.”

During 2022, the Company opened 15 stores, relocated 4 stores and permanently closed 46 stores. As of January 28, 2023, the Company operated 1,280 stores in 32 states, compared to 1,311 stores in 32 states as of January 29, 2022. During 2023, the Company plans to open up to 30 new stores and close up to 50 stores as leases expire. These store closings are anticipated to have minimal financial impact.

The Cato Corporation is a leading specialty retailer of value-priced fashion apparel and accessories operating three concepts, “Cato,” “Versona” and “It’s Fashion.” The Company’s Cato stores offer exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices every day. The Company also offers exclusive merchandise found in its Cato stores at www.catofashions.com. Versona is a unique fashion destination offering apparel and accessories including jewelry, handbags and shoes at exceptional prices every day. Select Versona merchandise can also be found at www.shopversona.com. It’s Fashion offers fashion with a focus on the latest trendy styles for the entire family at low prices every day.

Statements in this press release that express a belief, expectation or intention, as well as those that are not a historical fact, including, without limitation, statements regarding the Company’s expected or estimated operational financial results, activities or opportunities, and potential impacts and effects of the coronavirus 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, 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 and the availability of credit; changes in laws or regulations 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 the ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global coronavirus (COVID-19) outbreak) 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; and other factors discussed under “Risk Factors” in Part I, Item 1A of the Company’s most recently filed annual report on Form 10-K and in other reports the Company files with or furnishes to the SEC from time to time. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED January 28, 2023 AND January 29, 2022
(Dollars in thousands, except per share data)

	Quarter Ended				Nine Months Ended			
	January 28, 20 23	% Sales	January 29, 20 22	% Sales	January 28, 20 23	% Sales	January 29, 20 22	% Sales
REVENUES								
Retail sales	\$ 177,510	100.0%	\$ 173,649	100.0%	\$ 752,370	100.0%	\$ 761,358	100.0%
Other revenue (principally finance, late fees and layaway charges)	1,539	0.9%	2,578	1.5%	6,890	0.9%	7,913	1.0%
Total revenues	179,049	100.9%	176,227	101.5%	759,260	100.9%	769,271	101.0%
GROSS MARGIN (Memo)	55,590	31.3%	64,071	36.9%	242,706	32.3%	308,293	40.5%
COSTS AND EXPENSES, NET								
Cost of goods sold	121,920	68.7%	109,578	63.1%	509,664	67.7%	453,065	59.5%
Selling, general and administrative	60,042	33.8%	70,338	40.5%	242,648	32.3%	267,026	35.1%
Depreciation	2,662	1.5%	3,004	1.7%	11,080	1.5%	12,356	1.6%
Interest and other income	(1,337)	-0.8%	(422)	-0.2%	(5,902)	-0.8%	(2,141)	-0.3%
Costs and expenses, net	183,287	103.3%	182,498	105.1%	757,490	100.7%	730,306	95.9%
Income Before Income Taxes	(4,238)	-2.4%	(6,271)	-3.6%	1,770	0.2%	38,965	5.1%
Income Tax (Benefit)/Expense	(1,246)	-0.7%	192	0.1%	1,741	0.2%	2,121	0.3%
Net Income (Loss)	\$ (2,992)	-1.7%	\$ (6,463)	-3.7%	\$ 29	0.0%	\$ 36,844	4.8%
Basic Earnings Per Share	\$ (0.14)		\$ (0.30)		\$ -		\$ 1.65	
Diluted Earnings Per Share	\$ (0.14)		\$ (0.30)		\$ -		\$ 1.65	

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

	January 28, 2023 (Unaudited)	January 29, 2022 (Unaudited)
ASSETS		
Current Assets	\$ 20,005	\$ 19,759
Cash and cash equivalents	108,652	145,998
Short-term investments	3,787	3,919
Restricted cash	26,497	55,812
Accounts receivable - net	112,056	124,907
Merchandise inventories	6,676	5,273
Other current assets		
	277,673	355,668
Total Current Assets		
Property and Equipment - net	70,382	63,083
Noncurrent Deferred Income Taxes	9,213	9,313
Other Assets	21,596	24,437
Right-of-Use Assets, net	174,276	181,265
TOTAL	<u>\$ 553,140</u>	<u>\$ 633,766</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 135,597	\$ 177,327
Current Lease Liability	67,360	66,808
Noncurrent Liabilities	16,183	17,914
Lease Liability	107,407	117,521
Stockholders' Equity	226,593	254,196
TOTAL	<u>\$ 553,140</u>	<u>\$ 633,766</u>

