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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 2, 2019

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 Carolina28273-5975
(Address of principal executive offices)
(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	X	No	

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

Yes	X	No	

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes		No	X

As of November 2, 2019, there were 22,873,215 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 November 2, 2019

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	**November 2, 2019**	November 3, 2018
	(Dollars in thousands, except per share data)			
REVENUES				
Retail sales	$ **189,357**	$ 187,892	$ **627,780**	$ 630,765
Other revenue (principally finance charges, late fees and layaway charges)	**2,166**	2,120	**6,676**	6,464
Total revenues	**191,523**	190,012	**634,456**	637,229
COSTS AND EXPENSES, NET				
Cost of goods sold (exclusive of depreciation shown below)	**118,624**	123,014	**385,079**	395,102
Selling, general and administrative (exclusive of depreciation shown below)	**64,681**	61,765	**196,737**	196,616
Depreciation	**3,844**	4,094	**11,523**	12,470
Interest and other income	**(1,662)**	(1,374)	**(4,491)**	(3,559)
Cost and expenses, net	**185,487**	187,499	**588,848**	600,629
Income before income taxes	**6,036**	2,513	**45,608**	36,600
Income tax expense	**51**	(1,287)	**6,501**	2,907
Net income	$ **5,985**	$ 3,800	$ **39,107**	$ 33,693
Basic earnings per share	$ **0.24**	$ 0.16	$ **1.59**	$ 1.36
Diluted earnings per share	$ **0.24**	$ 0.16	$ **1.59**	$ 1.36
Comprehensive income:				
Net income	$ **5,985**	$ 3,800	$ **39,107**	$ 33,693
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of ($8) and $380 for the three and nine months ended November 2, 2019 and ($117) and ($141) for the three and nine months ended November 3, 2018, respectively	**(25)**	(373)	**1,246**	(451)
Comprehensive income	$ **5,960**	$ 3,427	$ **40,353**	$ 33,242

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	November 2, 2019	February 2, 2019
ASSETS	**(Dollars in thousands)**	
Current Assets:		
Cash and cash equivalents	**$ 21,222**	$ 24,603
Short-term investments	**203,309**	182,711
Restricted cash	**2,149**	606
Restricted short-term investments	**1,731**	3,196
Accounts receivable, net of allowance for doubtful accounts of $900 and $842 at November 2, 2019 and February 2, 2019, respectively	**27,479**	28,137
Merchandise inventories	**114,049**	119,585
Prepaid expenses and other current assets	**4,301**	11,750
Total Current Assets	**374,240**	370,588
Property and equipment – net	**88,384**	94,304
Noncurrent deferred income taxes	**10,829**	11,209
Other assets	**23,475**	21,805
Right-of-Use assets – net	**154,235**	-
Total Assets	**$ 651,163**	$ 497,906
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 69,094**	$ 84,282
Accrued expenses	**47,488**	45,658
Accrued bonus and benefits	**15,079**	11,146
Accrued income taxes	**1,568**	-
Current lease liability	**53,536**	-
Total Current Liabilities	**186,765**	141,086
Other noncurrent liabilities	**21,741**	39,984
Lease liability	**110,948**	-
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; issued 22,873,215 shares and 22,838,149 shares at November 2, 2019 and February 2, 2019, respectively	**768**	767
Convertible Class B common stock, $0.033 par value per share, 15,000,000 shares authorized; issued 1,763,652 shares and 1,763,652 shares at November 2, 2019 and February 2, 2019, respectively	**59**	59
Additional paid-in capital	**109,543**	105,580
Retained earnings	**220,170**	210,507
Accumulated other comprehensive income/(loss)	**1,169**	(77)
Total Stockholders' Equity	**331,709**	316,836
Total Liabilities and Stockholders' Equity	**$ 651,163**	$ 497,906

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	November 2, 2019	November 3, 2018
	(Dollars in thousands)	
Operating Activities:		
Net income	**$ 39,107**	$ 33,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**11,523**	12,470
Provision for doubtful accounts	**539**	301
Purchase premium and premium amortization of investments	**(380)**	420
Share-based compensation	**3,450**	3,697
Deferred income taxes	**-**	1,556
Loss on disposal of property and equipment	**555**	530
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	**119**	(9,288)
Merchandise inventories	**5,536**	8,489
Prepaid and other assets	**37,447**	11,115
Accrued income taxes	**1,568**	99
Accounts payable, accrued expenses and other liabilities	**(50,158)**	(8,855)
Net cash provided by operating activities	**49,306**	54,227
Investing Activities:		
Expenditures for property and equipment	**(4,946)**	(3,224)
Purchase of short-term investments	**(177,807)**	(122,819)
Sales of short-term investments	**160,858**	58,113
Purchase of other assets	**(332)**	(143)
Sales of other assets	**13**	4
Net cash (used)/provided in investing activities	**(22,214)**	(68,069)
Financing Activities:		
Dividends paid	**(24,461)**	(24,455)
Repurchase of common stock	**(5,032)**	(13,344)
Proceeds from employee stock purchase plan	**563**	518
Proceeds from stock options exercised	**-**	189
Net cash (used) in financing activities	**(28,930)**	(37,092)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	**(1,838)**	(50,934)
Cash, cash equivalents, and restricted cash at beginning of period	**25,209**	81,264
Cash, cash equivalents, and restricted cash at end of period	**$ 23,371**	$ 30,330
Non-cash activity:		
Accrued other assets and property and equipment	**$ 1,538**	$ 360

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Class A Common Stock	Convertible Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(Dollars in thousands)					
Balance — February 2, 2019	$ 767	$ 59	$ 105,580	$ 210,507	$ (77)	$ 316,836
Comprehensive income:						
Net income	-	-	-	21,256	-	21,256
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax liability of $126	-	-	-	-	412	412
Dividends paid ($0.33 per share)	-	-	-	(8,118)	-	(8,118)
Class A common stock sold through employee stock purchase plan — 20,676 shares	1	-	307	-	-	308
Class B common stock sold through stock option plans — - shares	-	-	-	-	-	-
Class A common stock issued through restricted stock grant plans — 355,609 shares	11	-	624	10	-	645
Repurchase and retirement of treasury shares – 208,041 shares	(7)	-	-	(2,827)	-	(2,834)
Balance — May 4, 2019	$ 772	$ 59	$ 106,511	$ 220,828	$ 335	$ 328,505
Comprehensive income:						
Net income	-	-	-	11,866	-	11,866
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax liability of $262	-	-	-	-	859	859
Dividends paid ($0.33 per share)	-	-	-	(8,173)	-	(8,173)
Class A common stock sold through employee stock purchase plan — 5,402 shares	-	-	67	-	-	67
Class B common stock sold through stock option plans — - shares	-	-	-	-	-	-
Class A common stock issued through restricted stock grant plans — (9,170) shares	-	-	1,479	15	-	1,494
Repurchase and retirement of treasury shares – -shares	-	-	-	-	-	-
Balance — August 3, 2019	$ 772	$ 59	$ 108,057	$ 224,536	$ 1,194	$ 334,618
Comprehensive income:						
Net income	-	-	-	5,985	-	5,985
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax liability of $8	-	-	-	-	(25)	(25)
Dividends paid ($0.33 per share)	-	-	-	(8,170)	-	(8,170)
Class A common stock sold through employee stock purchase plan — 18,252 shares	-	-	287	-	-	287
Class B common stock sold through stock option plans — - shares	-	-	-	-	-	-
Class A common stock issued through restricted stock grant plans — (18,327) shares	-	-	1,199	13	-	1,212
Repurchase and retirement of treasury shares – 129,339 shares	(4)	-	-	(2,194)	-	(2,198)
Balance — November 2, 2019	$ 768	$ 59	$ 109,543	$ 220,170	$ 1,169	$ 331,709

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Class A Common Stock	Convertible Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(Dollars in thousands)					
Balance — February 3, 2018	$ 774	$ 58	$ 99,948	$ 225,894	$ (321)	$ 326,353
Comprehensive income:						
Net income	-	-	-	23,410	-	23,410
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax benefit of ($122)	-	-	-	-	(392)	(392)
Dividends paid ($0.33 per share)	-	-	-	(8,186)	-	(8,186)
Class A common stock sold through employee stock purchase plan — 19,763 shares	-	-	267	-	-	267
Class B common stock sold through stock option plans — - shares	-	-	-	-	-	-
Class A common stock issued through restricted stock grant plans — 342,341 shares	11	-	534	8	-	553
Repurchase and retirement of treasury shares – 52,904 shares	(2)	-	-	(758)	-	(760)
Balance — May 5, 2018	$ 783	$ 58	$ 100,749	$ 240,368	$ (713)	$ 341,245
Comprehensive income:						
Net income	-	-	-	6,483	-	6,483
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax liability of $98	-	-	-	-	314	314
Dividends paid ($0.33 per share)	-	-	-	(8,152)	-	(8,152)
Class A common stock sold through employee stock purchase plan — 2,791 shares	1	-	70	-	-	71
Class B common stock sold through stock option plans — 8,051 shares	-	-	190	-	-	190
Class A common stock issued through restricted stock grant plans — 13,224 shares	-	-	1,797	18	-	1,815
Repurchase and retirement of treasury shares – 423,200 shares	(14)	-	-	(10,635)	-	(10,649)
Balance — August 4, 2018	$ 770	$ 58	$ 102,806	$ 228,082	$ (399)	$ 331,317
Comprehensive income:						
Net income	-	-	-	3,800	-	3,800
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax liability of $117	-	-	-	-	(373)	(373)
Dividends paid ($0.33 per share)	-	-	-	(8,117)	-	(8,117)
Class A common stock sold through employee stock purchase plan — 17,923 shares	-	-	275	-	-	275
Class B common stock sold through stock option plans — - shares	-	1	-	-	-	1
Class A common stock issued through restricted stock grant plans — System.Object[] shares	-	-	1,219	13	-	1,232
Repurchase and retirement of treasury shares – 117,300 shares	(3)	-	-	(1,932)	-	(1,935)
Balance — November 3, 2018	$ 767	$ 59	$ 104,300	$ 221,846	$ (772)	$ 326,200

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 NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 1 - GENERAL:

The condensed consolidated financial statements have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the "Company"), and all amounts shown as of and for the periods ended November 2, 2019 and November 3, 2018 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 February 2, 2019. Amounts as of February 2, 2019 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 21, 2019, the Board of Directors maintained the quarterly dividend at $0.33 per share.

Recently Adopted Accounting Policies

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Codification ("ASC") 842 - *Leases*, with amendments issued in 2018. The guidance requires lessees to recognize most leases on the balance sheet but does not change the manner in which expenses are recorded in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases.

The Company utilized a comprehensive approach to assess the impact of this guidance on its financial statements and related disclosures, including the increase in the assets and liabilities on its balance sheet and the impact on its current lease portfolio from a lessee perspective. The Company completed its comprehensive review of its lease portfolio, which includes mostly store leases impacted by the new guidance. The Company reviewed its internal controls over leases and as a result the Company enhanced these controls; however, these changes are not considered material. In addition, the Company implemented a new software platform, and corresponding controls, for administering its leases and facilitating compliance with the new guidance.

The Company elected the transition package of practical expedients that is permitted by the standard. The package of practical expedients allows the Company to not reassess previous accounting conclusions regarding whether existing arrangements are or contain leases, the classification of existing leases, and the treatment of initial direct costs. The Company did not elect the hindsight transition practical expedient allowed for by the new standard, which allows entities to use hindsight when determining lease term and impairment of right-of-use assets.

The Company adopted ASC 842 utilizing the modified retrospective approach as of February 3, 2019. The modified retrospective approach the Company selected provides a method of transition allowing recognition of existing leases as of the beginning of the period of adoption (i.e., February 3, 2019), and which does not require the adjustment of comparative periods. The adoption had a material impact on the Company's financial statements, resulting in an increase of 40% to each of its total assets and total liabilities on its balance sheet, but had no impact to retained earnings as of the beginning of 2019. See Note 12 for further information.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 2 - EARNINGS PER SHARE:

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

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

	Three Months Ended		**Nine Months Ended**	
	November 2, 2019	November 3, 2018	**November 2, 2019**	November 3, 2018
	(Dollars in thousands)			
Numerator				
Net earnings	**$ 5,985**	$ 3,800	**$ 39,107**	$ 33,693
(Earnings)/loss allocated to non-vested equity awards	**(220)**	(107)	**(1,390)**	(951)
Net earnings available to common stockholders	**$ 5,765**	$ 3,693	**$ 37,717**	$ 32,742
Denominator				
Basic weighted average common shares outstanding	**23,749,048**	23,820,477	**23,764,938**	24,051,185
Diluted weighted average common shares outstanding	**23,749,048**	23,820,477	**23,764,938**	24,051,185
Net income per common share				
Basic earnings per share	**$ 0.24**	$ 0.16	**$ 1.59**	$ 1.36
Diluted earnings per share	**$ 0.24**	$ 0.16	**$ 1.59**	$ 1.36

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

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 November 2, 2019:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at August 3, 2019	$	1,194
Other comprehensive income before reclassification		(165)
Amounts reclassified from accumulated other comprehensive income (b)		140
Net current-period other comprehensive income		(25)
Ending Balance at November 2, 2019	$	1,169

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes $183 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was $43.

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the nine months ended November 2, 2019:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at February 2, 2019	$	(77)
Other comprehensive income before reclassification		1,067
Amounts reclassified from accumulated other comprehensive income (b)		179
Net current-period other comprehensive income		1,246
Ending Balance at November 2, 2019	$	1,169

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes $234 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was $55.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

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 November 3, 2018:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at August 4, 2018	$	(399)
Other comprehensive income before reclassifications		(373)
Amounts reclassified from accumulated other comprehensive income (b)		-
Net current-period other comprehensive income		(373)
Ending Balance at November 3, 2018	$	(772)

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes $ -impact of Accumulated other comprehensive income reclassifications into Interest and other 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 November 3, 2018:

	Changes in Accumulated Other Comprehensive Income (a)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities	
Beginning Balance at February 3, 2018	$	(321)
Other comprehensive income before reclassifications		(504)
Amounts reclassified from accumulated other comprehensive income (b)		53
Net current-period other comprehensive income		(451)
Ending Balance at November 3, 2018	$	(772)

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes $70 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was $17.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 4 – FINANCING ARRANGEMENTS:

As of November 2, 2019, the Company had an unsecured revolving credit agreement to borrow $35.0 million less the balance of any revocable letters of credit as discussed below. On May 24, 2019, the Company extended its revolving credit agreement through May 2022. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of November 2, 2019. There were no borrowings outstanding under this credit facility during the periods ended November 2, 2019 or February 2, 2019. The weighted average interest rate under the credit facility was zero at November 2, 2019 due to no borrowings outstanding.

At November 2, 2019 and February 2, 2019, the Company had no outstanding revocable letters of credit relating to purchase commitments.

NOTE 5 – REPORTABLE SEGMENT INFORMATION:

The Company has determined that it has four operating segments, as defined under ASC 280-10, 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. They are similar in nature of product, as they all offer women’s apparel, shoes and accessories. Merchandise inventory for 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 operating segments is distributed to retail stores in a similar manner through the Company’s single distribution center and is subsequently distributed to customers in a similar manner.

The Company operates its women’s fashion specialty retail stores in 31 states as of November 2, 2019, 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 separate subsidiary of the Company.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):

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

Three Months Ended November 2, 2019	Retail	Credit	Total
Revenues	$190,637	$886	$191,523
Depreciation	3,843	1	3,844
Interest and other income	(1,662)	-	(1,662)
Income/(Loss) before income taxes	5,571	465	6,036
Capital expenditures	2,729	-	2,729

Nine Months Ended November 2, 2019	Retail	Credit	Total
Revenues	$631,751	$2,705	$634,456
Depreciation	11,522	1	11,523
Interest and other income	(4,491)	-	(4,491)
Income/(Loss) before income taxes	44,251	1,357	45,608
Capital expenditures	4,946	-	4,946

Three Months Ended November 3, 2018	Retail	Credit	Total
Revenues	$189,055	$957	$190,012
Depreciation	4,088	6	4,094
Interest and other income	(1,374)	-	(1,374)
Income/(Loss) before income taxes	2,140	373	2,513
Capital expenditures	1,345	-	1,345

Nine Months Ended November 3, 2018	Retail	Credit	Total
Revenues	$634,360	$2,869	$637,229
Depreciation	12,452	18	12,470
Interest and other income	(3,559)	-	(3,559)
Income/(Loss) before income taxes	35,159	1,441	36,600
Capital expenditures	3,224	-	3,224

	Retail	Credit	Total
Total assets as of November 2, 2019	$603,488	$47,675	$651,163
Total assets as of February 2, 2019	454,143	43,763	497,906

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

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

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	**November 2, 2019**	November 3, 2018
Payroll	**$ 164**	$ 179	**$ 478**	$ 571
Postage	**110**	128	**351**	379
Other expenses	**146**	271	**518**	460
Total expenses	**$ 420**	$ 578	**$ 1,347**	$ 1,410

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FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 6 – STOCK-BASED COMPENSATION:

As of November 2, 2019, the Company had two long-term compensation plans pursuant to which stock-based compensation was outstanding. 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 November 2, 2019:

	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:			
November 2, 2019	-	4,186,039	4,186,039

In accordance with ASC 718, 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 November 2, 2019 and February 2, 2019, there was $13,261,000 and $11,989,000, respectively, of total unrecognized compensation expense related to nonvested restricted stock awards, which had a remaining weighted-average vesting period of 2.4years and 2.2years, respectively. The total compensation expense during the three and nine months ended November 2, 2019 was $1,211,000 and $3,351,000, respectively, compared to $1,233,000 and $3,601,000, respectively, for the three and nine months ended November 3, 2018. These expenses are classified as a component of Selling, general and administrative expenses in the Condensed Consolidated Statements of Income and Comprehensive Income.

The following summary shows the changes in the shares of unvested restricted stock outstanding during the nine months ended November 2, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at February 2, 2019	771,851	$ 24.22
Granted	361,170	14.89
Vested	(129,108)	34.44
Forfeited or expired	(54,723)	19.64
Restricted stock awards at November 2, 2019	949,190	$ 19.54

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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 November 2, 2019 and November 3, 2018, the Company sold 44,330 and 40,477 shares to employees at an average discount of $2.24 and $2.26 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 $99,000 and $91,000 for the nine months ended November 2, 2019 and November 3, 2018, 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 November 2, 2019 and February 2, 2019:

Description	November 2, 2019	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
State/Municipal Bonds	$ 45,469	$ -	$ 45,469	$ -
Corporate Bonds	88,992	-	88,992	-
U.S. Treasury/Agencies Notes and Bonds	36,235	-	36,235	-
Cash Surrender Value of Life Insurance	10,300	-	-	10,300
Asset-backed Securities (ABS)	34,244	-	34,244	-
Corporate Equities	737	737	-	-
Certificates of Deposit	100	100	-	-
Total Assets	$ 216,077	$ 837	$ 204,940	$ 10,300
Liabilities:				
Deferred Compensation	(10,246)	-	-	(10,246)
Total Liabilities	$ (10,246)	$ -	$ -	$ (10,246)

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Description	February 2, 2019	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
State/Municipal Bonds	$ 54,346	$ -	$ 54,346	$ -
Corporate Bonds	90,891	-	90,891	-
U.S. Treasury/Agencies Notes and Bonds	17,236	-	17,236	-
Cash Surrender Value of Life Insurance	9,093	-	-	9,093
Asset-backed Securities (ABS)	23,334	-	23,334	-
Corporate Equities	690	690	-	-
Certificates of Deposit	101	101	-	-
Total Assets	$ 195,691	$ 791	$ 185,807	$ 9,093
Liabilities:				
Deferred Compensation	(8,908)	-	-	(8,908)
Total Liabilities	$ (8,908)	$ -	$ -	$ (8,908)

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 November 2, 2019 and February 2, 2019. The state, municipal and corporate bonds have contractual maturities which range from one month to 6.0 years. The U.S. Treasury Notes and Certificates of Deposit have contractual maturities which range from 13 days to 3.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash and Restricted short-term investments 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 November 2, 2019, the Company had $0.7 million of corporate equities and deferred compensation plan assets of $10.3 million. At February 2, 2019, the Company had $0.7 million of corporate equities and deferred compensation plan assets of $9.1 million. All of these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets.

Level 1 category securities are measured at fair value using quoted active market prices. Level 2 investment securities include corporate 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

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fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the valuation hierarchy. The Level 3 liability associated with the life insurance policies represents a deferred compensation obligation, the value of which is tracked via underlying insurance funds' net asset values, as recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheets. 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 as of November 2, 2019 and February 2, 2019 (in thousands):

	Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)	
	Cash Surrender Value	
Beginning Balance at February 2, 2019	$	9,093
Additions		706
Total gains or (losses)		
Included in interest and other income (or changes in net assets)		501
Included in other comprehensive income		-
Ending Balance at November 2, 2019	$	10,300

	Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)	
	Deferred Compensation	
Beginning Balance at February 2, 2019	$	(8,908)
Additions		(645)
Total (gains) or losses		
Included in interest and other income (or changes in net assets)		(693)
Included in other comprehensive income		-
Ending Balance at November 2, 2019	$	(10,246)

THE CATO CORPORATION
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FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

		Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)
		Cash Surrender Value
Beginning Balance at February 3, 2018	$	8,900
Additions		596
Total gains or (losses)		
Included in interest and other income (or changes in net assets)		(403)
Included in other comprehensive income		-
Ending Balance at February 2, 2019	$	9,093

		Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)
		Deferred Compensation
Beginning Balance at February 3, 2018	$	(8,951)
Additions		(105)
Total (gains) or losses		
Included in interest and other income (or changes in net assets)		148
Included in other comprehensive income		-
Ending Balance at February 2, 2019	$	(8,908)

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2019 AND NOVEMBER 3, 2018

NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which modifies the measurement of expected credit losses of certain financial instruments. Topic 326 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Company is currently assessing the impact of the ASU on its financial statements.

NOTE 9 – INCOME TAXES:

The Company had an effective tax rate for the first nine months of 2019 of 14.3% compared to 7.9% for the first nine months of 2018. The increase in the effective tax rate for the first nine months was primarily due to higher pre-tax earnings, more taxable interest income, more non-deductible IRS Section 162(m) compensation, and a release of reserves for uncertain tax positions due to state audit settlements in the first quarter of 2018.

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 its 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 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 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 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. The Company estimated uncollectible amounts of $,670000 and $,681000 for the nine months ended November 2, 2019 and November 3, 2018, respectively, on sales purchased on the Company’s proprietary credit card of $20.3 million and $20.8 million for the nine months ended November 2, 2019 and November 3, 2018, respectively.

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

	Balance as of	
	November 2, 2019	February 2, 2019
Proprietary Credit Card Receivables, net	**$ 15,384**	$ 15,980
Gift Card Liability	**$ 5,092**	$ 7,721

NOTE 12 – LEASES:

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for stores, offices and equipment. Its leases have remaining lease terms of one year to 10 years, some of which include options to extend the lease term for up to five years, and some of which 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, it 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):

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	Three Months Ended November 2, 2019	Nine Months Ended November 2, 2019
Operating lease cost (a)	**$ 16,677**	**$ 43,074**
Variable lease cost (b)	**$ 466**	**$ 1,580**
ASC 840 prepaid rent expense (c)	**$ 39**	**$ 6,051**

(a) Includes contra right-of-use asset amortization of ($1.0) million and ($3.9) million for the three months and nine months ended November 2, 2019, respectively.
(b) Primarily related to monthly percentage rent for stores not presented on the balance sheet.
(c) Related to ASC 840 rent expense due to prepaid rent on the balance sheet as of February 3, 2019.

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

Operating cash flow information:

	Nine Months Ended November 2, 2019
Cash paid for amounts included in the measurement of lease liabilities	**$ 40,921**
Non-cash activity:	
Right-of-use assets obtained in exchange for lease obligations	**$ 3,360**

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

	As of November 2, 2019
Weighted-average remaining lease term	**2.4 years**
Weighted-average discount rate	**4.64%**

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

Fiscal Year	
2019 (a)	$ 11,861
2020	57,694
2021	43,258
2022	27,959
2023	19,634
Thereafter	20,504
Total lease payments	180,910
Less: Imputed interest	16,426
Present value of lease liabilities	$ 164,484

(a) Excluding the nine months ended November 2, 2019.

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As of February 2, 2019, the minimum rental commitments under non-cancelable operating leases are (in thousands):

Fiscal Year		
2019	$	69,601
2020		51,943
2021		35,196
2022		21,242
2023		12,986
Thereafter		2,643
Total minimum lease payments	$	193,611

A summary of rent expense for the fiscal years ended February 2, 2019 and February 3, 2018 was as follows (in thousands):

	Balance as of			
	February 2, 2019		February 3, 2018	
Rent Expense	**$**	**69,872**	$	70,971

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

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 1, 2020 (“fiscal 2019”) and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodels and closures; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as “will,” “expects,” “anticipates,” “approximates,” “believes,” “estimates,” “hopes,” “intends,” “may,” “plans,” “could,” “would,” “should” and any variations or negative formations of such words and similar expressions. We can give no assurance that actual results or events will not differ materially from those expressed or implied in any such forward-looking statements. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: any actual or perceived deterioration in the conditions that drive consumer confidence and spending, including, but not limited to, 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, regulations or governmental policies affecting our business, including tariffs; uncertainties regarding the impact of any governmental actions 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; adverse weather 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 our annual report on Form 10-K for the fiscal year ended February 2, 2019 (“fiscal 2018”), as amended or supplemented, and in other reports we file with or furnish to the Securities and Exchange Commission (“SEC”) from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

CRITICAL ACCOUNTING POLICIES:

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 February 2, 2019. 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 allowance for doubtful accounts, inventory shrinkage, the calculation of potential asset impairment, workers' compensation, general and auto insurance liabilities, reserves relating to self-insured health insurance, and uncertain tax positions.

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)

RESULTS OF OPERATIONS:

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

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	**November 2, 2019**	November 3, 2018
Total retail sales	**100.0** %	100.0 %	**100.0** %	100.0 %
Other revenue	**1.1**	1.1	**1.1**	1.0
Total revenues	**101.1**	101.1	**101.1**	101.0
Cost of goods sold (exclusive of depreciation)	**62.6**	65.5	**61.3**	62.6
Selling, general and administrative (exclusive of depreciation)	**34.2**	32.9	**31.3**	31.2
Depreciation	**2.0**	2.2	**1.8**	2.0
Interest and other income	**(0.9)**	(0.7)	**(0.7)**	(0.6)
Income before income taxes	**3.2**	1.3	**7.3**	5.8
Net income	**3.2**	2.0	**6.2**	5.3

RESULTS OF OPERATIONS (CONTINUED):

Comparison of the Three and Nine Months ended November 2, 2019 with November 3, 2018

Total retail sales for the third quarter were $189.4 million compared to last year's third quarter sales of $187.9 million, a 0.8% increase. The Company's sales increase in the third quarter of fiscal 2019 is primarily due to a 4% increase in same-store sales partially offset by closed stores. For the nine months ended November 2, 2019, total retail sales were $627.8 million compared to last year's comparable nine month sales of $630.8 million. Sales in the first nine months of fiscal 2019 decreased slightly primarily due to closed stores, partially offset by a 2% increase in same-store sales. 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 3% of sales for the nine months ended November 2, 2019 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, gift card breakage and layaway fees), were $191.5 million and $634.5 million for the three and nine months ended November 2, 2019, respectively, compared to $190.0 million and $637.2 million for the three and nine months ended November 3, 2018, respectively. The Company operated 1,298 stores at November 2, 2019 compared to 1,350 stores at the end of last year's third quarter. During the first nine months of fiscal 2019, the Company closed 13 stores. In total, the Company currently expects to open up to five stores and close about 38 stores in fiscal 2019.

Credit revenue of $0.9 million represented 0.5% of total revenues in the third quarter of fiscal 2019, compared to the third quarter of fiscal 2018 credit revenue of $1.0 million or 0.5% 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 2019, compared to last year's third quarter expense of $0.6 million.

Other revenue in total, as included in total revenues, was $2.2 million and $6.7 million for the three and nine months ended November 2, 2019, respectively, compared to $2.1 million and $6.5 million for the prior year's comparable three and nine month periods. The overall increase in the three and nine months ended November 2, 2019 is primarily due to increases in e-commerce shipping revenues.

Cost of goods sold was $118.6 million, or 62.6% of retail sales and $385.1 million, or 61.3% of retail sales for the three and nine months ended November 2, 2019, respectively, compared to $123.0 million, or 65.5% of retail sales and $395.1 million, or 62.6% of retail sales for the comparable three and nine month periods of fiscal 2018. The overall decrease in cost of goods sold as a percent of retail sales for the third quarter of fiscal 2019 resulted primarily from higher penetration of regular price sales. In addition, occupancy costs as a percent of retail sales decreased. 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) increased by 8.9% to $70.7 million for the third quarter of fiscal 2019 and increased by 3.0% to $242.7 million for the first nine months of fiscal 2019 compared to $64.9 million and

$235.7 million for the comparable three and nine months of fiscal 2018. 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 $64.7 million, or 34.2% of retail sales and $196.7 million, or 31.3% of retail sales for the third quarter and first nine months of fiscal 2019, respectively, compared to $61.8 million, or 32.9% of retail sales and $196.6 million, or 31.2% of retail sales for the prior year's comparable three and nine month periods. The increase in SG&A expense for the third quarter of fiscal 2019 was primarily attributable to higher incentive compensation in 2019 and favorable litigation settlements in the prior year. The slight increase in SG&A expense for the first nine months of fiscal 2019 was primarily attributable to higher incentive compensation partially offset by lower insurance cost.

Depreciation expense was $3.8 million, or 2.0% of retail sales and $11.5 million, or 1.8% of retail sales for the third quarter and first nine months of fiscal 2019, respectively, compared to $4.1 million, or 2.2% of retail sales and $12.5 million or 2.0% of retail sales for the comparable three and nine month periods of fiscal 2018, respectively.

Interest and other income was $1.7 million, or 0.9% of retail sales and $4.5 million, or 0.7% of retail sales for the three and nine months ended November 2, 2019, respectively, compared to $1.4 million, or 0.7% of retail sales and $3.6 million, or 0.6% of retail sales for the comparable three and nine month periods of fiscal 2018, respectively. The increase for the first nine months of fiscal 2019 compared to 2018 is primarily attributable to an increase in short-term investments.

Income tax expense was $0.1 million and $6.5 million for the third quarter and first nine months of fiscal 2019, respectively, compared to an income tax benefit of $1.3 million and income tax expense of $2.9 million for the comparable three and nine month periods of fiscal 2018, respectively. For the first nine months of 2019, the Company's effective tax rate was 14.3%. The increase in the 2019 tax rate was primarily due to higher pre-tax earnings, more taxable interest income, more non-deductible IRS Section 162(m) compensation, an increase in state income taxes due to less credits in 2019 and a release of reserves for uncertain tax positions due to state audit settlements in the first quarter of 2018.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:

The Company has consistently maintained a strong liquidity position. Cash provided by operating activities during the first nine months of fiscal 2019 was $49.3 million as compared to $54.2 million in the first nine months of fiscal 2018. These amounts enable the Company to fund its regular operating needs, capital expenditure program, cash dividend payments and share repurchases. In addition, the Company maintains a $35.0 million unsecured revolving credit facility for short-term financing of seasonal cash needs. There were no outstanding borrowings on this facility at November 2, 2019 and February 2, 2019.

Cash provided by operating activities for the first nine months of fiscal 2019 was primarily generated by earnings adjusted for depreciation and changes in working capital. The decrease in cash provided by operating activities of $4.9 million for the first nine months of fiscal 2019 as compared to the first nine months of fiscal 2018 was primarily due to a decrease in accounts payable and accrued expenses and an increase in inventory and other assets, partially offset by a decrease in prepaid assets and accounts receivable and an increase in net income.

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

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, expected capital expenditures, dividends and share repurchases for fiscal 2019 and the next 12 months.

At November 2, 2019, the Company had working capital of $187.5 million compared to $229.5 million at February 2, 2019.

At November 2, 2019 and February 2, 2019, the Company had an unsecured revolving credit agreement, which provides for borrowings of up to $35.0 million, less the value of revocable letters of credit discussed below. The revolving credit agreement is committed until May 2022. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of November 2, 2019. There were no borrowings outstanding under the credit facility as of November 2, 2019 and February 2, 2019.

At November 2, 2019 and February 2, 2019, the Company had no outstanding revocable letters of credit relating to purchase commitments.

Expenditures for property and equipment totaled $4.9 million in the first nine months of fiscal 2019, compared to $3.2 million in last fiscal year's first nine months. The expenditures for the first nine months of fiscal 2019 were primarily for additional investments in home office, stores, distribution center, cars and information technology. For the full fiscal 2019 year, the Company expects to invest approximately $8.0 million for capital expenditures.

Net cash used in investing activities totaled $22.2 million in the first nine months of fiscal 2019 compared to net cash used of $68.1 million by investing activities in the comparable period of 2018. The decrease in net cash used in investing activities in 2019 is primarily attributable to the decrease in net purchases of short-term investments.

Net cash used in financing activities totaled $28.9 million in the first nine months of fiscal 2019 compared to $37.1 million used in the comparable period of fiscal 2018. The decrease in net cash used in financing activities was primarily due to lower share repurchase amounts.

As of November 2, 2019, the Company had 1,681,622 shares remaining in open authorizations under its share repurchase program.

On November 21, 2019, the Board of Directors maintained the quarterly dividend at $0.33 per share.

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 November 2, 2019 and February 2, 2019. The state, municipal and corporate bonds have contractual maturities which range from one month to 6.0 years. The U.S. Treasury Notes and Certificates of Deposit have contractual maturities which range from 13 days to 3.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash and Restricted short-term investments 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 November 2, 2019, the Company had $0.7 million of corporate equities and deferred compensation plan assets of $10.3 million. At February 2, 2019, the Company had $0.7 million of corporate equities and deferred compensation plan assets of $9.1 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.

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 November 2, 2019. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of November 2, 2019, 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 November 2, 2019 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
ITEM 1. LEGAL PROCEEDINGS:

Not Applicable

ITEM 1A. RISK FACTORS:

In addition to the other information in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended February 2, 2019. These risks could materially affect our business, financial condition or future results; however, they are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

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

The following table summarizes the Company's purchases of its common stock for the three months ended November 2, 2019:

ISSUER PURCHASES OF EQUITY SECURITIES

Fiscal Period	Total Number of Shares Purchased		Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that may Yet be Purchased Under The Plans or Programs (2)
August 2019	-	$	-	-	
September 2019	121,326		16.99	121,326	
October 2019	8,013		16.99	8,013	
Total	129,339	$	16.99	129,339	1,681,622

(1) Prices include trading costs.

(2) As of August 3, 2019, the Company's share repurchase program had 1,810,961 shares remaining in open authorizations. During the third quarter ending November 2, 2019, the Company repurchased and retired 129,339 shares under this program for approximately $2,197,601 or an average market price of $16.99 per share. As of the third quarter ending November 2, 2019, the Company had 1,681,622 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
ITEM 4. MINE SAFETY DISCLOSURES:

Not Applicable

ITEM 5. OTHER INFORMATION:

Not Applicable

ITEM 6. EXHIBITS:

Exhibit No.	Item
3.1	Registrant's Restated Certificate of Incorporation dated March 6, 1987, incorporated by reference to Exhibit 4.1 to For Registrant filed February 7, 2000 (SEC File No. 333-96283).
3.2	Registrant's By Laws, incorporated by reference to Exhibit 99.2 to Form 8-K of the Registrant Filed December 10, 2007.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1*	Section 1350 Certification of Principal Executive Officer.
32.2*	Section 1350 Certification of Principal Financial Officer.
101.1*	The following materials from Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended November 2, 20 in XBRL: (i) Condensed Consolidated Statements of Income and Comprehensive Income for the Three Months and Ended November 2, 2019 and November 3, 2018; (ii) Condensed Consolidated Balance Sheets at November 2, 2019 an 2019; (iii) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended November 2, 2019 and Nover (iv) Condensed Consolidated Statements of Stockholders' Equity for the Nine Months Ended November 2, 2019 and 2018; and (v) Notes to Condensed Consolidated Financial Statements.

* Submitted electronically herewith.

THE CATO CORPORATION

PART II OTHER INFORMATION

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 26, 2019	/s/ John P. D. Cato
Date	John P. D. Cato Chairman, President and Chief Executive Officer
November 26, 2019	/s/ John R. Howe
Date	John R. Howe Executive Vice President Chief Financial Officer

EXHIBIT 31.1

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: November 26, 2019

/s/ John P. D. Cato

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

EXHIBIT 31.2

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

I, John R. Howe, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 26, 2019

/s/ John R. Howe

John R. Howe
Executive Vice President
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

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

1. the Form 10-Q of the Company for the quarter ended November 2, 2019 (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 26, 2019

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

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

I, John R. Howe, 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 November 2, 2019 (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 26, 2019

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