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

FORM 10-Q

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

For the quarterly period ended October 29, 2022

OR

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

For the transition period from ________________to__________________

Commission file number 1-31340

THE CATO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

Yes X No

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

Yes X No

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

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

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

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

As of October 29, 2022, there were 19,128,675 shares of Class A common stock and 1,763,652 shares of Class B common stock outstanding.

THE CATO CORPORATION

FORM 10-Q

Quarter Ended October 29, 2022

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE CATO CORPORATION

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

	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
	(Dollars in thousands, except per share data)			
REVENUES				
Retail sales	$ **174,921**	$ 170,513	$ **574,860**	$ 587,709
Other revenue (principally finance charges, late fees and layaway charges)	**1,705**	1,700	**5,351**	5,335
Total revenues	**176,626**	172,213	**580,211**	593,044
COSTS AND EXPENSES, NET				
Cost of goods sold (exclusive of depreciation shown below)	**123,752**	104,225	**387,744**	343,487
Selling, general and administrative (exclusive of depreciation shown below)	**61,397**	62,466	**182,606**	196,687
Depreciation	**2,864**	3,173	**8,418**	9,352
Interest and other income	**(2,278)**	(541)	**(4,565)**	(1,719)
Costs and expenses, net	**185,735**	169,323	**574,203**	547,807
Income (loss) before income taxes	**(9,109)**	2,890	**6,008**	45,237
Income tax (benefit) expense	**(4,656)**	(5,713)	**2,988**	1,929
Net income (loss)	$ **(4,453)**	$ 8,603	$ **3,020**	$ 43,308
Basic earnings (loss) per share	$ **(0.21)**	$ 0.39	$ **0.14**	$ 1.93
Diluted earnings (loss) per share	$ **(0.21)**	$ 0.39	$ **0.14**	$ 1.93
Comprehensive income:				
Net income (loss)	$ **(4,453)**	$ 8,603	$ **3,020**	$ 43,308
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of ($189) and ($532) for the three and nine months ended October 29, 2022 and ($150) and ($235) for the three and nine months ended October 30, 2021, respectively	**(629)**	(496)	**(1,774)**	(775)
Comprehensive income (loss)	$ **(5,082)**	$ 8,107	$ **1,246**	$ 42,533

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	October 29, 2022	January 29, 2022
ASSETS	**(Dollars in thousands)**	
Current Assets:		
Cash and cash equivalents	**$ 17,282**	$ 19,759
Short-term investments	**128,458**	145,998
Restricted cash	**3,743**	3,919
Accounts receivable, net of allowance for customer credit losses of $827 and $803 at October 29, 2022 and January 29, 2022, respectively	**25,679**	55,812
Merchandise inventories	**116,718**	124,907
Prepaid expenses and other current assets	**6,947**	5,273
Total Current Assets	**298,827**	355,668
Property and equipment – net	**70,595**	63,083
Noncurrent deferred income taxes	**9,844**	9,313
Other assets	**21,103**	24,437
Right-of-Use assets – net	**140,176**	181,265
Total Assets	**$ 540,545**	$ 633,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 95,155**	$ 109,546
Accrued expenses	**47,003**	40,373
Accrued employee benefits and bonus	**2,709**	26,488
Accrued income taxes	**2,838**	920
Current lease liability	**55,723**	66,808
Total Current Liabilities	**203,428**	244,135
Other noncurrent liabilities	**16,688**	17,914
Lease liability	**85,622**	117,521
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; 19,128,675 shares and 19,824,093 shares issued at October 29, 2022 and January 29, 2022, respectively	**646**	669
Convertible Class B common stock, $0.033 par value per share, 15,000,000 shares authorized; 1,763,652 shares and 1,763,652 shares issued at October 29, 2022 and January 29, 2022, respectively	**59**	59
Additional paid-in capital	**121,314**	119,540
Retained earnings	**114,842**	134,208
Accumulated other comprehensive income	**(2,054)**	(280)
Total Stockholders' Equity	**234,807**	254,196
Total Liabilities and Stockholders' Equity	**$ 540,545**	$ 633,766

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	October 29, 2022	October 30, 2021
	(Dollars in thousands)	
Operating Activities:		
Net income	**$ 3,020**	$ 43,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**8,418**	9,352
Provision for customer credit losses	**217**	368
Purchase premium and premium amortization of investments	**606**	(952)
Share-based compensation	**1,517**	2,999
Loss on disposal of property and equipment	**106**	392
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	**29,916**	(3,641)
Merchandise inventories	**8,189**	(6,106)
Prepaid and other assets	**1,704**	(6,190)
Operating lease right-of-use assets and liabilities	**(1,895)**	(2,892)
Accrued income taxes	**1,918**	3,891
Accounts payable, accrued expenses and other liabilities	**(34,418)**	38,881
Net cash provided by operating activities	**19,298**	79,410
Investing Activities:		
Expenditures for property and equipment	**(14,382)**	(1,790)
Purchase of short-term investments	**(53,765)**	(131,837)
Sales of short-term investments	**68,348**	82,355
Net cash provided by (used in) investing activities	**201**	(51,272)
Financing Activities:		
Dividends paid	**(10,870)**	(6,276)
Repurchase of common stock	**(11,561)**	(15,152)
Proceeds from employee stock purchase plan	**279**	176
Net cash used in financing activities	**(22,152)**	(21,252)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**(2,653)**	6,886
Cash, cash equivalents, and restricted cash at beginning of period	**23,678**	21,022
Cash, cash equivalents, and restricted cash at end of period	**$ 21,025**	$ 27,908
Non-cash activity:		
Accrued other assets and property and equipment	**$ 2,311**	$ 862

See notes to condensed consolidated financial statements (unaudited).

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

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

See notes to condensed consolidated financial statements (unaudited).

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(Dollars in thousands)				
Balance — January 30, 2021	$ 762	$ 115,278	$ 129,303	$ 1,155	$ 246,498
Comprehensive income:					
Net income (loss)	-	-	20,713	-	20,713
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax benefit of ($40)	-	-	-	(134)	(134)
Dividends paid ($ - per share)	-	-	-	-	-
Class A common stock sold through employee stock purchase plan	1	150	-	-	151
Share-based compensation issuances and exercises	13	(12)	-	-	1
Share-based compensation expense	-	283	-	-	283
Repurchase and retirement of treasury shares	(14)	-	(5,615)	-	(5,629)
Balance — May 1, 2021	$ 762	$ 115,699	$ 144,401	$ 1,021	$ 261,883
Comprehensive income:					
Net income (loss)	-	-	13,992	-	13,992
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax benefit of ($44)	-	-	-	(145)	(145)
Dividends paid ($0.11 per share)	-	-	(2,488)	-	(2,488)
Class A common stock sold through employee stock purchase plan	-	23	-	-	23
Share-based compensation issuances and exercises	-	509	5	-	514
Share-based compensation expense	-	1,081	-	-	1,081
Repurchase and retirement of treasury shares	(2)	-	(1,046)	-	(1,048)
Balance — July 31, 2021	$ 760	$ 117,312	$ 154,864	$ 876	$ 273,812
Comprehensive income:					
Net income (loss)	-	-	8,603	-	8,603
Unrealized gain (loss) on available-for-sale securities, net of deferred income tax benefit of ($150)	-	-	-	(496)	(496)
Dividends paid ($0.17 per share)	-	-	(3,788)	-	(3,788)
Class A common stock sold through employee stock purchase plan	-	34	-	-	34
Share-based compensation issuances and exercises	-	1,081	8	-	1,089
Share-based compensation expense	-	-	-	-	-
Repurchase and retirement of treasury shares	(18)	-	(8,458)	-	(8,476)
Balance — October 30, 2021	$ 742	$ 118,427	$ 151,229	$ 380	$ 270,778

See notes to condensed consolidated financial statements (unaudited).

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 October 29, 2022 and October 30, 2021 are unaudited. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included. All such adjustments are of a normal, recurring nature unless otherwise noted. The results of the interim period may not be indicative of the results expected for the entire year.

The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022. Amounts as of January 29, 2022 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.

The Company received $33 million of its income tax receivable in the second quarter of the current fiscal year. The Company anticipates that the remaining balance, which is included in Accounts receivable in the accompanying Condensed Consolidated Balance Sheets, will be received by the end of the fourth quarter of fiscal 2022.

During the third quarter of the current fiscal year, the Company received $1.4 million from the state of North Carolina's Business Recovery Program, which provides aid to eligible North Carolina businesses that suffered significant economic damage from the COVID-19 pandemic. The full amount received is recorded in Interest and other income in the accompanying Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

On November 17, 2022, the Board of Directors maintained the quarterly dividend at $0.17 per share.

Recently Adopted Accounting Policies

In November 2021, the Financial Accounting Standards Board issued Accounting Standards Update 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This update provides for increased transparency of government assistance, including the disclosure of the types of assistance an entity receives, an entity's method of accounting for government assistance and the effect of the assistance on an entity's financial statements. This standard is effective for annual periods beginning after December 15, 2021. The Company adopted this standard on a prospective basis on January 30, 2022.

NOTE 2 - EARNINGS PER SHARE:

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

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

	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
	(Dollars in thousands)			
Numerator				
Net earnings (loss)	**$ (4,453)**	$ 8,603	**$ 3,020**	$ 43,308
(Earnings) loss allocated to non-vested equity awards	**240**	(464)	**(153)**	(2,239)
Net earnings (loss) available to common stockholders	**$ (4,213)**	$ 8,139	**$ 2,867**	$ 41,069
Denominator				
Basic weighted average common shares outstanding	**19,934,592**	21,030,099	**20,029,703**	21,295,693
Diluted weighted average common shares outstanding	**19,934,592**	21,030,099	**20,029,703**	21,295,693
Net income (loss) per common share				
Basic earnings (loss) per share	**$ (0.21)**	$ 0.39	**$ 0.14**	$ 1.93
Diluted earnings (loss) per share	**$ (0.21)**	$ 0.39	**$ 0.14**	$ 1.93

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE INCOME:

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

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

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes an $11 gain 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 an expense of $3.

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

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

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes an $18 gain 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 an expense of $4.

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED):

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the three months ended October 30, 2021:

	Changes in Accumulated Other Comprehensive Income (a)
	Unrealized Gains and (Losses) on Available-for-Sale Securities
Beginning Balance at July 31, 2021	$ 876
Other comprehensive income before reclassifications	(567)
Amounts reclassified from accumulated other comprehensive income (b)	71
Net current-period other comprehensive income	(496)
Ending Balance at October 30, 2021	$ 380

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes a $92 gain 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 an expense of $21.

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the nine months ended October 30, 2021:

	Changes in Accumulated Other Comprehensive Income (a)
	Unrealized Gains and (Losses) on Available-for-Sale Securities
Beginning Balance at January 30, 2021	$ 1,155
Other comprehensive income before reclassifications	(911)
Amounts reclassified from accumulated other comprehensive income (b)	136
Net current-period other comprehensive income	(775)
Ending Balance at October 30, 2021	$ 380

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to other comprehensive income.
(b) Includes a $177 gain 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 an expense of $41.

NOTE 4 – FINANCING ARRANGEMENTS:

As of October 29, 2022, the Company had an unsecured revolving credit agreement, which provided for borrowings of up to $35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and was committed through May 2027. 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 October 29, 2022. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of October 29, 2022 or January 29, 2022. The weighted average interest rate under the credit facility was zero at October 29, 2022 due to no borrowings outstanding.

NOTE 5 – REPORTABLE SEGMENT INFORMATION:

The Company has determined that it has four operating segments, as defined under ASC 280-10, 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 clients in a similar manner.

The Company operates its women's fashion specialty retail stores in 32 states as of October 29, 2022, principally in the southeastern United States. The Company offers its own credit card to its customers and all credit authorizations, payment processing and collection efforts are performed by a wholly-owned subsidiary of the Company.

NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):

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

Three Months Ended October 29, 2022	**Retail**	**Credit**	**Total**
Revenues	$176,057	$569	$176,626
Depreciation	2,864	-	2,864
Interest and other income	(2,278)	-	(2,278)
Income (Loss) before income taxes	(9,280)	171	(9,109)
Capital expenditures	3,998	-	3,998

Nine Months Ended October 29, 2022	**Retail**	**Credit**	**Total**
Revenues	$578,580	$1,631	$580,211
Depreciation	8,417	1	8,418
Interest and other income	(4,565)	-	(4,565)
Income (Loss) before income taxes	5,623	385	6,008
Capital expenditures	14,382	-	14,382

Three Months Ended October 30, 2021	**Retail**	**Credit**	**Total**
Revenues	$171,708	$505	$172,213
Depreciation	3,172	1	3,173
Interest and other income	(541)	-	(541)
Income (Loss) before income taxes	2,863	27	2,890
Capital expenditures	665	-	665

Nine Months Ended October 30, 2021	**Retail**	**Credit**	**Total**
Revenues	$591,497	$1,547	$593,044
Depreciation	9,351	1	9,352
Interest and other income	(1,719)	-	(1,719)
Income (Loss) before income taxes	44,769	468	45,237
Capital expenditures	1,790	-	1,790

	Retail	**Credit**	**Total**
Total assets as of October 29, 2022	$502,307	$38,238	$540,545
Total assets as of January 29, 2022	595,487	38,279	633,766

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**	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Payroll	**$ 120**	$ 80	**$ 389**	$ 362
Postage	**107**	59	**299**	252
Other expenses	**172**	338	**557**	464
Total expenses	**$ 399**	$ 477	**$ 1,245**	$ 1,078

NOTE 6 – STOCK-BASED COMPENSATION:

As of October 29, 2022, the Company had two long-term compensation plans pursuant to which stock-based compensation was outstanding or could be granted. The 2018 Incentive Compensation Plan and 2013 Incentive Compensation Plan are for the granting of various forms of equity-based awards, including restricted stock and stock options for grant, to officers, directors and key employees. Effective May 24, 2018, shares for grant were no longer available under the 2013 Incentive Compensation Plan.

The following table presents the number of options and shares of restricted stock initially authorized and available for grant under each of the plans as of October 29, 2022:

	2013 Plan	2018 Plan	Total
Options and/or restricted stock initially authorized	1,500,000	4,725,000	6,225,000
Options and/or restricted stock available for grant:			
October 29, 2022	-	3,455,547	3,455,547

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 October 29, 2022 and January 29, 2022, there was $11,786,000 and $11,096,000, respectively, of total unrecognized compensation expense related to nonvested restricted stock awards, which had a remaining weighted-average vesting period of 2.4 years and 2.3 years, respectively. Total compensation benefit during the three months ended October 29, 2022 was $535,000 and total compensation expense during the nine months ended October 29, 2022 was $1,471,000, compared to an expense of $1,088,000 and $2,968,000, respectively, for the three and nine months ended October 30, 2021. The total compensation benefit during the three months ended October 29, 2022 is the result of forfeitures driven by the retirement of several senior members of management. These amounts are classified as a component of Selling, general and administrative expenses in the Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

The following summary shows the changes in the shares of unvested restricted stock outstanding during the nine months ended October 29, 2022:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at January 29, 2022	1,196,288	$	13.76
Granted	319,441		13.70
Vested	(231,638)		16.99
Forfeited or expired	(219,144)		13.44
Restricted stock awards at October 29, 2022	1,064,947	$	13.10

NOTE 6 – STOCK BASED-COMPENSATION (CONTINUED):

The Company's Employee Stock Purchase Plan allows eligible full-time employees to purchase a limited number of shares of the Company's Class A Common Stock during each semi-annual offering period at a 15% discount through payroll deductions. During the nine months ended October 29, 2022 and October 30, 2021, the Company sold 28,504 and 22,541 shares to employees at an average discount of $1.73 and $1.38 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 $49,000 and $31,000 for the nine months ended October 29, 2022 and October 30, 2021, respectively. These expenses are classified as a component of Selling, general and administrative expenses.

NOTE 7 – FAIR VALUE MEASUREMENTS:

The following tables set forth information regarding the Company's financial assets and liabilities that are measured at fair value (in thousands) as of October 29, 2022 and January 29, 2022:

Description	October 29, 2022	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	$ 25,021	$ -	$ 25,021	$ -
Corporate Bonds	55,645	-	55,645	-
U.S. Treasury/Agencies Notes and Bonds	35,900	-	35,900	-
Cash Surrender Value of Life Insurance	8,842	-	-	8,842
Asset-backed Securities (ABS)	10,882	-	10,882	-
Corporate Equities	863	863	-	-
Commercial Paper	1,011	-	1,011	-
Total Assets	$ 138,164	$ 863	$ 128,459	$ 8,842
Liabilities:				
Deferred Compensation	(8,930)	-	-	(8,930)
Total Liabilities	$ (8,930)	$ -	$ -	$ (8,930)

Description	January 29, 2022	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	$ 30,451	$ -	$ 30,451	$ -
Corporate Bonds	76,909	-	76,909	-
U.S. Treasury/Agencies Notes and Bonds	19,715	-	19,715	-
Cash Surrender Value of Life Insurance	11,472	-	-	11,472
Asset-backed Securities (ABS)	18,556	-	18,556	-
Corporate Equities	818	818	-	-
Commercial Paper	367	-	367	-
Total Assets	$ 158,288	$ 818	$ 145,998	$ 11,472
Liabilities:				
Deferred Compensation	(10,020)	-	-	(10,020)
Total Liabilities	$ (10,020)	$ -	$ -	$ (10,020)

The Company’s investment portfolio was primarily invested in corporate bonds and tax-exempt and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at October 29, 2022 and January 29, 2022. The state, municipal and corporate bonds have contractual maturities which range from four days to 4.1 years. The U.S. Treasury Notes have contractual maturities which range from two days to 1.9 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 October 29, 2022, the Company had $0.9 million of corporate equities and deferred compensation plan assets of $8.8 million. At January 29, 2022, the Company had $0.8 million of corporate equities and deferred compensation plan assets of $11.5 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 fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the valuation hierarchy. The Level 3 liability associated with the life insurance policies represents a deferred compensation obligation, the value of which is tracked via underlying insurance funds' net asset values, as recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet. These funds are designed to mirror mutual funds and money market funds that are observable and actively traded.

The following tables summarize the change in fair value of the Company's financial assets and liabilities measured using Level 3 inputs as of October 29, 2022 and January 29, 2022 (in thousands):

		Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)
		Cash Surrender Value
Beginning Balance at January 29, 2022	$	11,472
Redemptions		(1,718)
Additions		-
Total gains or (losses):		
Included in interest and other income (or changes in net assets)		(912)
Included in other comprehensive income		-
Ending Balance at October 29, 2022	$	8,842

		Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)
		Deferred Compensation
Beginning Balance at January 29, 2022	$	(10,020)
Redemptions		571
Additions		(300)
Total (gains) or losses:		
Included in interest and other income (or changes in net assets)		819
Included in other comprehensive income		-
Ending Balance at October 29, 2022	$	(8,930)

	Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)
	Cash Surrender Value
Beginning Balance at January 30, 2021	$ 11,263
Additions	-
Total gains or (losses):	
Included in interest and other income (or changes in net assets)	209
Included in other comprehensive income	-
Ending Balance at January 29, 2022	$ 11,472

	Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)
	Deferred Compensation
Beginning Balance at January 30, 2021	$ (10,316)
Redemptions	1,010
Additions	(304)
Total (gains) or losses:	
Included in interest and other income (or changes in net assets)	(410)
Included in other comprehensive income	-
Ending Balance at January 29, 2022	$ (10,020)

NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS:

None.

NOTE 9 – INCOME TAXES:

The Company had an effective tax rate for the first nine months of 2022 of 49.7% compared to 4.3% for the first nine months of 2021. The change in the effective tax rate for the first nine months was primarily due to an increase in Global Intangible Low-taxed Income (GILTI), state income taxes and non-deductible officer’s compensation, offset by the foreign rate differential, foreign tax credits and release of reserves for uncertain tax positions, as a percentage on lower pre-tax earnings.

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 of, or forfeits, the merchandise. Gift cards do not have expiration dates. A provision is made for estimated merchandise returns based on sales volumes and the Company’s experience; actual returns have not varied materially from historical amounts. A provision is made for estimated write-offs associated with sales made with the Company’s proprietary credit card. Amounts related to shipping and handling billed to customers in a sales transaction are classified as Other revenue and the costs related to shipping product to customers (billed and accrued) are classified as Cost of goods sold.

The Company offers its own proprietary credit card to customers. All credit activity is performed by the Company’s wholly-owned subsidiaries. None of the credit card receivables are secured. During the three and nine months ended October 29, 2022, the Company estimated customer credit losses of $,89000 and $,261000, respectively, compared to $134,000 and $409,000 for the three and nine months ended October 30, 2021, respectively. Sales purchased on the Company's proprietary credit card for the three and nine months ended October 29, 2022 were $5.9 million and $17.4 million, respectively, compared to $4.4 million and $13.6 million for the three and nine months ended October 30, 2021, respectively.

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

	Balance as of	
	October 29, 2022	January 29, 2022
Proprietary Credit Card Receivables, net	**$ 10,286**	$ 8,998
Gift Card Liability	**$ 5,560**	$ 8,308

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 up to 10 years based on the estimated likelihood of renewal. Some include options to extend the lease term for up to five years, and some include options to terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

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

	Three Months Ended	
	October 29, 2022	October 30, 2021
Operating lease cost (a)	**$ 17,919**	$ 17,509
Variable lease cost (b)	**$ 707**	$ 660

(a) Includes right-of-use asset amortization of ($0.4) million and ($0.4) million for the three months ended October 29, 2022 and October 30, 2021, respectively.
(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

	Nine Months Ended	
	October 29, 2022	October 30, 2021
Operating lease cost (a)	**$ 53,521**	$ 51,569
Variable lease cost (b)	**$ 2,053**	$ 2,153

(a) Includes right-of-use asset amortization of ($1.3) million and ($2.1) million for the nine months ended October 29, 2022 and October 30, 2021, respectively.
(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

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

Operating cash flow information:

	Three Months Ended	
	October 29, 2022	October 30, 2021
Cash paid for amounts included in the measurement of lease liabilities	**$ 17,264**	$ 16,485
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	**$ 2,107**	$ 1,705

	Nine Months Ended	
	October 29, 2022	October 30, 2021
Cash paid for amounts included in the measurement of lease liabilities	**$ 51,138**	$ 48,158
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	**$ 8,156**	$ 23,718

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

	As of	
	October 29, 2022	October 30, 2021
Weighted-average remaining lease term	**2.0 years**	2.0 years
Weighted-average discount rate	**2.84%**	3.42%

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

Fiscal Year	
2022 (a)	$ 16,940
2023	54,623
2024	38,184
2025	22,878
2026	11,426
Thereafter	3,733
Total lease payments	147,784
Less: Imputed interest	6,439
Present value of lease liabilities	$ 141,345

(a) Excluding the nine months ended October 29, 2022

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 January 28, 2023 ("fiscal 2022") and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodels and closures and statements regarding the potential impact of the COVID-19 pandemic and related responses and mitigation efforts on our business, results of operations and financial condition; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as "will," "expects," "anticipates," "approximates," "believes," "estimates," "hopes," "intends," "may," "plans," "could," "would," "should" and any variations or negative formations of such words and similar expressions. We can give no assurance that actual results or events will not differ materially from those expressed or implied in any such forward-looking statements. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: any actual or perceived deterioration in the conditions that drive consumer confidence and spending, including, but not limited to, prevailing social, economic, political and public health conditions and uncertainties, levels of unemployment, fuel, energy and food costs, wage rates, tax rates, interest rates, home values, consumer net worth, the availability of credit and inflation; changes in laws, regulations and government policies affecting our business, including, but not limited to, 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; our ability to successfully implement our new store development strategy to increase new store openings and our ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the COVID-19 pandemic) or similar conditions that may affect our sales or operations; inventory risks due to shifts in market demand, including the ability to liquidate excess inventory at anticipated margins; and other factors discussed under "Risk Factors" in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended January 29, 2022 ("fiscal 2021"), as amended or supplemented, and in other reports we file with or furnish to the Securities and Exchange Commission ("SEC") from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The Company's accounting policies are more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022. 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 customer credit losses, 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.

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	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Total retail sales	**100.0** %	100.0 %	**100.0** %	100.0 %
Other revenue	**1.0**	1.0	**0.9**	0.9
Total revenues	**101.0**	101.0	**100.9**	100.9
Cost of goods sold (exclusive of depreciation)	**70.7**	61.1	**67.5**	58.4
Selling, general and administrative (exclusive of depreciation)	**35.1**	36.6	**31.8**	33.5
Depreciation	**1.6**	1.9	**1.5**	1.6
Interest and other income	**(1.3)**	(0.3)	**(0.8)**	(0.3)
Income (loss) before income taxes	**(5.2)**	1.7	**1.0**	7.7
Net income (loss)	**(2.5)**	5.0	**0.5**	7.4

RESULTS OF OPERATIONS (CONTINUED):

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Condensed Consolidated Financial Statements and the Notes to those statements included in the "Financial Statements" section of this Quarterly Report on Form 10-Q, as well as our 2021 Form 10-K.

Recent Developments

COVID-19 Update

There is still significant uncertainty regarding the lingering effects of the COVID-19 pandemic on our business, financial condition, results of operations, cash flows, and liquidity. In particular, the Company is subject to the continued effects of disruption in the global supply chain, including as a result of government responses to COVID-19 surges in the foreign countries where our merchandise is produced, inflation and its impact on our cost of products, transportation, wage rates and other operating costs, as well as, the impact on our customers' disposable incomes, and the availability of workers at our stores, distribution center and corporate office. The Company expects that these uncertainties and perhaps others related to the pandemic will continue to impact the Company in fiscal 2022.

Inflationary Cost Pressure and Rising Interest Rates

The COVID-19 pandemic and resulting supply chain disruptions, as well as certain geo-political matters, have resulted in significant price increases associated with the acquisition, shipping, transportation and distribution costs for the merchandise we purchase for sale to our customers. In addition to the price increases relating to our merchandise, costs for fuel, food, and housing, including rent, as well as other consumables across the economy, are increasingly impacting our customers' disposable income. In response to the inflationary pressures, the Federal Reserve began raising interest rates and is committed to continue raising interest rates until the inflationary pressures subside. These rising interest rates have adversely affected the availability and cost of credit for businesses and our customers.

We believe that these price increases and rising interest rates have had, and will likely continue to have, a negative impact on consumer behavior and, by extension, our results of operations and financial condition during fiscal 2022

Supply Chain Disruptions

We source a significant portion of our merchandise assortment from third parties who manufacture their products in countries that have experienced widespread issues with the pandemic, thereby significantly impacting the global supply chain for merchandise inventories. Disruptions in the global transportation network remain prevalent, particularly in key ports or shipping lanes that are used for the transportation of our merchandise. These issues are resulting in shipping delays and increased shipping costs throughout the retail industry, including us. Any untimely delivery of merchandise could have a negative impact on our ability to serve our customers with the specific merchandise they want in the quantities they wish to purchase in a timely manner, thereby potentially resulting in lost sales or increased markdowns to move through excess fashion and seasonal inventories that were delivered late. We continue to monitor the situation closely and are in contact with our supply chain partners and key suppliers to constantly assess delivery delays. However, we are unable to predict the specific effects these factors will have on our fiscal 2022 results of operations.

Labor Challenges and Wage Inflation

The COVID-19 pandemic and the resulting factors above have also created challenges related to the availability of sufficient labor from time to time, and have caused a significant increase in the competition for labor among consumer facing companies. This competition for labor has driven significant increases in wages in order to compete for sufficient labor availability and/or to prevent the loss of existing workforce in our stores, distribution center and corporate office. We expect these pressures to continue throughout fiscal 2022.

Comparison of the Three and Nine Months ended October 29, 2022 with October 30, 2021

Total retail sales for the third quarter were $174.9 million compared to last year’s third quarter sales of $170.5 million, a 3% increase. The Company’s sales increase in the third quarter of fiscal 2022 is primarily due to a 3% increase in same-store sales and sales from new stores, partially offset by permanently closed stores. For the nine months ended October 29, 2022, total retail sales were $574.9 million compared to last year’s comparable nine month sales of $587.7 million, a 2% decrease. Sales in the first nine months of fiscal 2022 decreased primarily due to a 2% decrease in same-store sales, partially offset by sales from new stores. Same-store sales include stores that have been open more than 15 months. Stores that have been relocated or expanded are also included in the same-store sales calculation after they have been open more than 15 months. The method of calculating same-store sales varies across the retail industry. As a result, our same-store sales calculation may not be comparable to similarly titled measures reported by other companies. E-commerce sales were less than 5% of total sales for the nine months ended October 29, 2022 and are included in the same-store sales calculation. Total revenues, comprised of retail sales and other revenue (principally finance charges and late fees on customer accounts receivable and layaway fees), were $176.6 million and $580.2 million for the three and nine months ended October 29, 2022, compared to $172.2 million and $593.0 million for the three and nine months ended October 30, 2021, respectively. The Company operated 1,317 stores at October 29, 2022 compared to 1,324 stores at the end of last year’s third quarter. During the first nine months of fiscal 2022, the Company opened 15 stores and closed nine stores. The Company currently expects to open approximately 15 stores and to close approximately 40 stores in total in fiscal 2022.

Credit revenue of $0.6 million represented 0.3% of total revenues in the third quarter of fiscal 2022, compared to 2021 credit revenue of $0.5 million or 0.3% of total revenues. Credit revenue is comprised of interest earned on the Company’s private label credit card portfolio and related fee income. Related expenses principally include payroll, postage and other administrative expenses and totaled $0.4 million in the third quarter of fiscal 2022, compared to last year’s third quarter expense of $0.5 million.

Other revenue, a component of total revenues, was $1.7 million and $5.4 million for the three and nine months ended October 29, 2022, respectively, compared to $1.7 million and $5.3 million for the prior year’s comparable three and nine month periods.

Cost of goods sold was $123.8 million, or 70.7% of retail sales and $387.7 million, or 67.5% of retail sales for the three and nine months ended October 29, 2022, respectively, compared to $104.2 million, or 61.1% of retail sales and $343.5 million, or 58.4% of retail sales for the comparable three and nine month periods of fiscal 2021. The overall increase in cost of goods sold as a percent of retail sales for the third quarter of fiscal 2022 resulted primarily from higher sales of marked down goods and increases in freight and distribution costs. Cost of goods sold includes merchandise costs (net of discounts and allowances), buying costs, distribution costs, occupancy costs, freight and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs. Buying and distribution costs include payroll, payroll-related costs and operating expenses for the buying departments and distribution center. Occupancy costs include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Total gross margin dollars (retail sales less cost of goods sold exclusive of depreciation) decreased by 22.8% to $51.2 million for the third quarter of fiscal 2022 and decreased by 23.4% to $187.1 million for the first nine months of fiscal 2022, compared to $66.3 million and $244.2 million for the prior year's comparable three and nine months of fiscal 2021. Gross margin as presented may not be comparable to those of other entities.

Selling, general and administrative expenses ("SG&A") primarily include corporate and store payroll, related payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees. SG&A expenses were $61.4 million, or 35.1% of retail sales and $182.6 million, or 31.8% of retail sales for the third quarter and first nine months of fiscal 2022, respectively, compared to $62.5 million, or 36.6% of retail sales and $196.7 million, or 33.5% of retail sales for the prior year's comparable three and nine month periods. The overall decrease in SG&A expense for the third quarter and first nine months of fiscal 2022 is primarily due to lower incentive compensation expense, partially offset by increased payroll expense, which is a reflection of normalized store operations and higher wages.

Depreciation expense was $2.9 million, or 1.6% of retail sales and $8.4 million, or 1.5% of retail sales for the third quarter and first nine months of fiscal 2022, respectively, compared to $3.2 million, or 1.9% of retail sales and $9.4 million or 1.6% of retail sales for the comparable three and nine month periods of fiscal 2021, respectively.

Interest and other income was $2.3 million, or 1.3% of retail sales and $4.6 million, or 0.8% of retail sales for the three and nine months ended October 29, 2022, respectively, compared to $0.5 million, or 0.3% of retail sales and $1.7 million, or 0.3% of retail sales for the comparable three and nine month periods of fiscal 2021, respectively. The increase for the third quarter and first nine months of fiscal 2022 compared to fiscal 2021 is primarily attributable to receiving a Business Recovery Grant from the state of North Carolina.

Income tax benefit was $4.7 million for the third quarter and $3.0 million expense for the first nine months of fiscal 2022, respectively, compared to an income tax benefit of $5.7 million and $1.9 million expense for the comparable three and nine month periods of fiscal 2021, respectively. For the first nine months of fiscal 2022, the Company's effective tax rate was 49.7% compared to 4.3% for the first nine months of fiscal 2021. The change in the 2022 year-to-date effective tax rate was primarily due to an increase in Global Intangible Low-taxed Income (GILTI), state income taxes and non-deductible officer's compensation, offset by the foreign rate differential, foreign tax credits and release of reserves for uncertain tax positions, as a percentage on lower pre-tax earnings.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:

The Company believes that its cash, cash equivalents and short-term investments, together with cash flows from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's regular operating requirements and expected capital expenditures for fiscal 2022 and the next 12 months.

Cash provided by operating activities during the first nine months of fiscal 2022 was $19.3 million as compared to $79.4 million provided in the first nine months of fiscal 2021. Cash provided by operating activities for the first nine months of fiscal 2022 was primarily generated by earnings adjusted for depreciation and changes in working capital. The decrease in cash provided of $60.1 million for the first nine months of fiscal 2022 as compared to the first nine months of fiscal 2021 was primarily due to lower net income and decreases in accounts payable and accrued liabilities primarily related to incentive compensation, partially offset by decreases in accounts receivable and prepaid and other assets.

At October 29, 2022, the Company had working capital of $95.4 million compared to $111.5 million at January 29, 2022. The decrease in working capital is primarily attributable to a decrease in short-term investments and accounts receivable, partially offset by a decrease in accounts payable and accrued bonus and benefits.

As of October 29, 2022, the Company had an unsecured revolving credit agreement, which provided for borrowings of up to $35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and was committed through May 2027. 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 October 29, 2022. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of October 29, 2022 or January 29, 2022. The weighted average interest rate under the credit facility was zero at October 29, 2022 due to no borrowings outstanding.

Expenditures for property and equipment totaled $14.4 million in the first nine months of fiscal 2022, compared to $1.8 million in last fiscal year's first nine months. The increase in expenditures for property and equipment was primarily due to capital investments in the distribution center and information technology, as well as costs associated with opening 15 new stores. For the full fiscal 2022 year, the Company expects to invest approximately $20.0 million for capital expenditures.

Net cash provided by investing activities totaled $0.2 million in the first nine months of fiscal 2022 compared to $51.3 million used in investing activities in the comparable period of 2021. The increase in net cash provided in 2022 is primarily due to a net decrease in the purchase of short-term investments, partially offset by an increase in capital expenditures.

Net cash used in financing activities totaled $22.2 million in the first nine months of fiscal 2022 compared to $21.3 million used in the comparable period of fiscal 2021. The increase in net cash used in fiscal 2022 is primarily due to higher dividends paid, partially offset by lower stock repurchases.

On November 17, 2022, the Board of Directors maintained the quarterly dividend at $0.17 per share.

As of October 29, 2022, the Company had 601,195 shares remaining in open authorizations under its share repurchase program.

The Company does not use derivative financial instruments.

The Company's investment portfolio was primarily invested in corporate bonds and tax-exempt and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at October 29, 2022 and January 29, 2022. The state, municipal and corporate bonds have contractual maturities which range from four days to 4.1 years. The U.S. Treasury Notes have contractual maturities which range from two days to 1.9 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 October 29, 2022, the Company had $0.9 million of corporate equities and deferred compensation plan assets of $8.8 million. At January 29, 2022, the Company had $0.8 million of corporate equities and deferred compensation plan assets of $11.5 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 1, General, and 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 October 29, 2022. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of October 29, 2022, our disclosure controls and procedures, as defined in Rule 13a-15(e), under the Securities Exchange Act of 1934 (the “Exchange Act”), were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No change in the Company’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) has occurred during the Company’s fiscal quarter ended October 29, 2022 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS:

Not Applicable

ITEM 1A. RISK FACTORS:

In addition to the other information in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended January 29, 2022. 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. Other than as noted below, there have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for our fiscal year ended January 29, 2022.

We qualify for exemption as a "controlled company" from compliance with certain corporate governance rules of the New York Stock Exchange ("NYSE") relating to independent directors and independent board committees. While we do not currently rely on any of these exemptions, if we elect to do so in the future, you will not have the same protections afforded to shareholders of companies that are subject to these requirements, and the market price of our common stock could be adversely affected.

As previously disclosed, as a result of repurchases of our Class A Common Stock occurring between March 22, 2022 and March 29, 2022 pursuant to the Company's stock repurchase program that have reduced the total outstanding shares of our Class A Common Stock, Mr. John P. D. Cato, Chairman, President and Chief Executive Officer of the Company and the largest shareholder of the Company, currently beneficially owns a majority of the outstanding voting power of our common stock, which includes both our Class A Common Stock and Class B Common Stock. Consequently, we qualify for exemption as a "controlled company" from compliance with certain corporate governance standards of the NYSE, including the requirements that we have a majority of independent directors on our board, as well as fully independent compensation and nominating and corporate governance committees that are governed by written charters and subject to annual performance evaluations.

Though we currently are not relying on any these exemptions, if in the future we continue to be eligible to do so and elect to take advantage of any of these exemptions, our board of directors may not have a majority of independent directors, our compensation committee may not consist entirely of independent directors, and our directors may not be nominated or selected by independent directors. Accordingly, you would not have the same protections afforded to shareholders of companies that are subject to all of these corporate governance requirements of the NYSE, and the market price of our common stock could be adversely affected.

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

The following table summarizes the Company's purchases of its common stock for the three months ended October 29, 2022:

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 2022	-	$	-	-	
September 2022	197,450		9.48	197,450	
October 2022	9,782		9.53	9,782	
Total	207,232	$	9.48	207,232	601,195

(1) Prices include trading costs.

(2) As of July 30, 2022, the Company's share repurchase program had 808,427 shares remaining in open authorizations. During the third quarter ended October 29, 2022, the Company repurchased and retired 207,232 shares under this program for approximately $1,965,040 or an average market price of $9.48 per share. As of October 29, 2022, the Company had 601,195 shares remaining in open authorizations. There is no specified expiration date for the Company's repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES:

Not Applicable

ITEM 5. OTHER INFORMATION:

Not Applicable

ITEM 6. EXHIBITS:

Exhibit No.	Item
3.1	Registrant's Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form Registrant for the quarter ended May 2, 2020.
3.2	Registrant's Amended and Restated By-Laws, incorporated by reference to Exhibit 3.2 to Form 10-Q of the Regi quarter ended May 2, 2020.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1*	Section 1350 Certification of Principal Executive Officer.
32.2*	Section 1350 Certification of Principal Financial Officer.
101.1*	The following materials from Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 29, 20 in Inline XBRL: (i) Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the T and Nine Months Ended October 29, 2022 and October 30, 2021; (ii) Condensed Consolidated Balance Sheets at Octo and January 29, 2022; (iii) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October October 30, 2021; (iv) Condensed Consolidated Statements of Stockholders' Equity for the Nine Months Ended Octo and October 30, 2021; and (v) Notes to Condensed Consolidated Financial Statements.
104.1	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitte 101.1*)

* Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CATO CORPORATION

November 22, 2022	/s/ John P. D. Cato
Date	John P. D. Cato Chairman, President and Chief Executive Officer
November 22, 2022	/s/ Charles D. Knight
Date	Charles D. Knight Executive Vice President Chief Financial Officer

EXHIBIT 31.1

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

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

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

Date: November 22, 2022

/s/ John P. D. Cato

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

EXHIBIT 31.2

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

I, Charles D. Knight, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 22, 2022

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

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

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

1. the Form 10-Q of the Company for the quarter ended October 29, 2022 (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 22, 2022

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

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

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

1. the Form 10-Q of the Company for the quarter ended October 29, 2022 (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 22, 2022

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