

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

Form 8-K

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

Date of Report (Date of earliest event reported): August 20, 2020

THE CATO CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-31340
(Commission
File Number)

56-0484485
(IRS Employer
Identification No.)

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

28273-5975
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

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

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On August 20, 2020, The Cato Corporation issued a press release regarding its financial results for the second quarter ending August 1, 2020. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued August 20, 2020](#)

[Exhibit 104 – Cover Page Interactive Data File \(embedded within Inline XBRL document\)](#)

Signatures

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

THE CATO CORPORATION

August 24, 2020

Date

/s/ John P. D. Cato

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

August 24, 2020

Date

/s/ John R. Howe

John R. Howe
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
<u>Exhibit 99.1 - Press Release issued August 20, 2020</u>	99.1
<u>Exhibit 104 – Cover Page Interactive Data File (embedded within Inline XBRL document)</u>	104



The CATO Corporation

EXHIBIT 99.1

NEWS RELEASE

FOR IMMEDIATE RELEASE

For Further Information Contact:

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

CATO REPORTS 2Q NET LOSS

CHARLOTTE, N.C. (August 20, 2020) — The Cato Corporation (NYSE: CATO) today reported a net loss of \$7.2 million or (\$0.30) per diluted share for the second quarter ended August 1, 2020, compared to net income of \$11.9 million or \$0.48 per diluted share for the second quarter ended August 3, 2019. Sales for the second quarter were \$166.3 million, or a decrease of 21% from sales of \$210.4 million for the second quarter ended August 3, 2019. The Company's same-store sales for the quarter decreased 24% to the same period last year.

As previously announced Cato closed all stores due to the COVID-19 pandemic beginning March 19, 2020. On May 1, 2020, the Company began reopening stores in a phased approach, with limited operating hours, consistent with local health and safety guidelines and regulations. As of June 15, 2020, all stores had reopened.

For the six months ended August 1, 2020, the Company reported a net loss of \$35.6 million or (\$1.48) per diluted share, compared to net income of \$33.1 million or \$1.34 per diluted share for the six months ended August 3, 2019. Sales for the six months ended August 1, 2020 were \$265.1 million, down 40% to sales of \$438.4 million for the six months ended August 3, 2019. Year-to-date same-store sales decreased 39%.

"Sales softened through the quarter and into early August. As we see this trend continuing, we are cautious about the second half of the year," stated John Cato, Chairman, President, and Chief Executive Officer. "And we remain committed to protecting our customers, associates and the communities we serve, in light of the unprecedented situation regarding the COVID-19 pandemic."

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Gross margin decreased to 20.2% from 38.0% of sales in the quarter, due to a reduction in merchandise contribution, combined with the effects of deleveraging from the sales decline related to the phased reopening of stores and limited operating hours. SG&A expenses as a percent of sales decreased to 26.4% from 31.4% during the quarter primarily due to company-wide expense reduction initiatives and elimination of incentive compensation. A pre-tax loss and the beneficial effects of the CARES Act resulted in \$3.9 million tax benefit versus \$2.1 million expense in the prior year. During the quarter, the Company paid \$30 million on its line of credit, bringing the outstanding balance to \$0. The Company ended the quarter with unrestricted cash and short-term investments of \$137.0 million and full availability on its \$35 million revolving line of credit.

Year-to-date gross margin decreased to 18.4% of sales from 39.2% the prior year primarily due to a reduction in merchandise contribution combined with the effects of deleveraging resulting from the sales decline. The year-to-date SG&A rate was 36.4% versus 30.0% last year primarily due to the effects of deleveraging and store impairment charges of \$5.3 million, partially offset by company-wide expense reductions and the elimination of incentive compensation. Income tax benefit for the first half was \$13.0 million compared to an expense of \$6.4 million last year.

During the second quarter ended August 1, 2020, the Company opened 36 new stores which were previously committed, relocated 1 store and permanently closed 3 stores. As of August 1, 2020, the Company operated 1,333 stores in 31 states, compared to 1,299 stores in 31 states as of August 3, 2019.

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

Statements in this press release not historical in nature including, without limitation, statements regarding the Company’s expected or estimated operational and financial results and potential impact of the coronavirus are considered “forward-looking” within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are

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based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, any actual or perceived deterioration in the conditions that drive consumer confidence and spending, including, but not limited to, prevailing social, economic, political and public health conditions and uncertainties, levels of unemployment, fuel, energy and food costs, wage rates, tax rates, interest rates, home values, consumer net worth and the availability of credit; changes in laws or regulations affecting our business including tariffs; uncertainties regarding the impact of any governmental 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 open new stores as planned and our ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global coronavirus (COVID-19) outbreak) or similar conditions that may affect our sales or operations; inventory risks due to shifts in market demand, including the ability to liquidate excess inventory at anticipated margins; and other factors discussed under "Risk Factors" in Part I, Item 1A of the Company's most recently filed annual report on Form 10-K and in other reports the Company files with or furnishes to the SEC from time to time. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services.

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED AUGUST 1, 2020 AND AUGUST 3, 2019

(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>August 1, %</u> <u>2020 Sales</u>	<u>August 3, %</u> <u>2019 Sales</u>	<u>August 1, %</u> <u>2020 Sales</u>	<u>August 3, %</u> <u>2019 Sales</u>
REVENUES				
Retail sales	\$ 166,265	\$ 210,357	\$ 265,078	\$ 438,423
Other revenue (principally finance, late fees and layaway charges)	1,905 1.1%	2,224 1.1%	3,824 1.4%	4,510 1.0%
Total revenues	<u>168,170</u> 1.1%	<u>212,581</u> 1.1%	<u>268,902</u> 1.4%	<u>442,933</u> 1.0%
GROSS MARGIN (Memo)	33,529 20.2%	79,985 38.0%	48,745 18.4%	171,968 39.2%
COSTS AND EXPENSES, NET				
Cost of goods sold	132,736	130,372	216,333	266,455
Selling, general and administrative	43,957 26.4%	66,066 31.4%	96,468 36.4%	132,056 30.0%
Depreciation	3,488 2.1%	3,836 1.8%	7,494 2.8%	7,679 1.8%
Interest and other income	(961) -0.6%	(1,693) -0.8%	(2,812) -1.1%	(2,829) -0.7%
Cost and expenses, net	<u>179,220</u> 10.7.8%	<u>198,581</u> 94.4%	<u>317,483</u> 119.8%	<u>403,361</u> 92.0%
Income (Loss) Before Income Tax	(11,050) -6.7%	14,000 6.7%	(48,581) 18.3%	39,572 9.0%
Income Tax (Benefit)/Expense	(3,880) -2.3%	2,134 1.0%	(12,994) 4.9%	6,450 1.5%
Net Income (Loss)	<u>\$ (7,170)</u> -4.3%	<u>\$ 11,866</u> 5.6%	<u>\$ (35,587)</u> 13.4%	<u>\$ 33,122</u> 7.6%
Basic Earnings Per Share	<u>\$ (0.30)</u>	<u>\$ 0.48</u>	<u>\$ (1.48)</u>	<u>\$ 1.34</u>
Diluted Earnings Per Share	<u>\$ (0.30)</u>	<u>\$ 0.48</u>	<u>\$ (1.48)</u>	<u>\$ 1.34</u>

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THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

August 1, February 1,
2020 2020
(Unaudited) (Unaudited)

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 36,565	\$ 11,824
Short-term investments	100,391	200,387
Restricted cash	3,917	3,896
Accounts receivable - net	39,037	26,088
Merchandise inventories	88,280	115,365
Other current assets	<u>12,460</u>	<u>5,237</u>
Total Current Assets	280,650	362,797
Property and Equipment – net	84,938	88,667
Noncurrent Deferred Income Tax	5,911	8,636
Other Assets	23,142	24,073
Right-of-Use Assets, net	<u>201,776</u>	<u>200,803</u>
TOTAL	<u>\$ 596,417</u>	<u>\$ 684,976</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	\$ 96,149	\$ 136,153
Current Lease Liability	57,878	63,149
Noncurrent Liabilities	23,663	21,976
Lease Liability	152,508	147,184
Stockholders' Equity	<u>266,219</u>	<u>316,514</u>
TOTAL	<u>\$ 596,417</u>	<u>\$ 684,976</u>

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