

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): November 17, 2022

THE CATO CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-31340
(Commission
File Number)

56-0484485
(IRS Employer
Identification No.)

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

28273-5975
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

THE CATO CORPORATION

On November 17, 2022, The Cato Corporation issued a press release regarding its financial results for the third quarter ending October 29, 2022. A copy of this press release is hereby incorporated as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued November 17, 2022](#)

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

November 18, 2022

Date

/s/ John P. D. Cato

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

November 18, 2022

Date

/s/ Charles D. Knight

Charles D. Knight
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
<u>99.1 - Press Release issued November 17, 2022</u>	99.1
104 Cover page Interactive Data File (embedded within Inline XBRL document)	104

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

For Further Information Contact:

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

CATO REPORTS 3Q RESULTS

CHARLOTTE, N.C. (November 17, 2022) – The Cato Corporation (NYSE: CATO) today reported a net loss of \$4.5 million or (\$0.21) per diluted share for the third quarter ended October 29, 2022, compared to net income of \$8.6 million or \$0.39 per diluted share for the third quarter ended October 30, 2021.

Sales for the third quarter ended October 29, 2022 were \$174.9 million, an increase of 3% from sales of \$170.5 million for the third quarter ended October 30, 2021. The Company's same-store sales for the quarter increased 3% compared to 2021.

For the nine months ended October 29, 2022, the Company reported net income of \$3.0 million or \$0.14 per diluted share, compared to net income of \$43.3 million or \$1.93 per diluted share for the nine months ended October 30, 2021. Sales for the nine months ended October 29, 2022 were \$574.9 million, a decrease of 2% to sales of \$587.7 million for the nine months ended October 30, 2021. Year-to-date same-store sales decreased 2% compared to 2021.

“We are appreciative of the ongoing support of our customers, especially considering the unrelenting pressure inflation has had on their ability to spend on discretionary items such as fashion apparel. The actions we've taken to improve our inventory levels, including increased markdowns, has put pressure on our financial performance during the quarter, as anticipated,” stated John Cato, Chairman, President, and Chief Executive Officer. “We've made good progress, but we will continue to make adjustments to improve our inventory position and to offer our customers great fashion and customer service at a compelling value. We anticipate the remainder of the year to be challenging, given the unusual economic environment.”

Gross margin decreased from 38.9% to 29.3% of sales in the quarter due to lower merchandise margins driven by increased markdowns taken in an effort to align inventory with sales trends and increased freight and distribution costs. SG&A expenses as a percent of sales decreased from 36.6% to 35.1% of sales during the quarter primarily due to reduced incentive compensation expense, partially offset by increased store payroll expense, reflecting more normalized operations, coupled with a higher wage environment. Tax benefit for the quarter was \$4.7 million versus a \$5.7 million tax benefit in the prior year.

Year-to-date gross margin decreased to 32.5% of sales from 41.6% the prior year primarily due to decreased merchandise margins driven by increased markdowns taken to align inventory with sales trends and to clear late merchandise, coupled with increased freight and distribution costs. The year-to-date SG&A rate was 31.8% versus 33.5% primarily due to lower incentive compensation expense, partially offset by increased store payroll expense, which is a reflection of more normalized operations and a higher wage environment. Income tax expense for the nine-month period was \$3.0 million, compared to \$1.9 million last year.

During the third quarter ended October 29, 2022, the Company opened 7 stores and closed 2 stores. As of October 29, 2022, the Company has 1,317 stores in 32 states, compared to 1,324 stores in 32 states as of October 30, 2021.

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

Statements in this press release that express a belief, expectation or intention, as well as those that are not a historical fact, including, without limitation, statements regarding the Company’s expected or estimated operational financial results, activities or opportunities, and potential impacts and effects of the coronavirus are considered “forward-looking” within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, any actual or perceived deterioration in the conditions that drive consumer confidence and spending, including, but not limited to, prevailing social, economic, political and public health conditions and uncertainties, levels of unemployment, fuel, energy and food costs, wage rates, tax rates, interest rates, home values, consumer net worth and the availability of credit; changes in laws or regulations affecting our business including but not limited to tariffs; uncertainties regarding the impact of any governmental action regarding, or responses to, the foregoing conditions; competitive factors and pricing pressures; our ability to predict and respond to rapidly changing fashion trends and consumer demands; our ability to successfully implement our new store development strategy to increase new store openings and the ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global coronavirus (COVID-19) outbreak) or similar conditions that may affect our sales or operations; inventory risks due to shifts in market demand, including the ability to liquidate excess inventory at anticipated margins; and other factors discussed under “Risk Factors” in Part I, Item 1A of the Company’s most recently filed annual report on Form 10-K and in other reports the Company files with or furnishes to the SEC from time to time. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized. The Company is not responsible for any changes made to this press release by wire or Internet services

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED October 29, 2022 AND October 30, 2021
(Dollars in thousands, except per share data)

	Quarter Ended				Nine Months Ended			
	October 29, 20 22	% Sales	October 30, 20 21	% Sales	October 29, 20 22	% Sales	October 30, 20 21	% Sales
REVENUES								
Retail sales	\$ 174,921	100.0%	\$ 170,513	100.0%	\$ 574,860	100.0%	\$ 587,709	100.0%
Other revenue (principally finance, late fees and layaway charges)	1,705	1.0%	1,700	1.0%	5,351	0.9%	5,335	0.9%
Total revenues	<u>176,626</u>	<u>101.0%</u>	<u>172,213</u>	<u>101.0%</u>	<u>580,211</u>	<u>100.9%</u>	<u>593,044</u>	<u>100.9%</u>
GROSS MARGIN (Memo)	51,169	29.3%	66,288	38.9%	187,116	32.5%	244,222	41.6%
COSTS AND EXPENSES, NET								
Cost of goods sold	123,752	70.7%	104,225	61.1%	387,744	67.5%	343,487	58.4%
Selling, general and administrative	61,397	35.1%	62,466	36.6%	182,606	31.8%	196,687	33.5%
Depreciation	2,864	1.6%	3,173	1.9%	8,418	1.5%	9,352	1.6%
Interest and other income	(2,278)	-1.3%	(541)	-0.3%	(4,565)	-0.8%	(1,719)	-0.3%
Costs and expenses, net	<u>185,735</u>	<u>106.2%</u>	<u>169,323</u>	<u>99.3%</u>	<u>574,203</u>	<u>99.9%</u>	<u>547,807</u>	<u>93.2%</u>
Income Before Income Taxes	(9,109)	-5.2%	2,890	1.7%	6,008	1.0%	45,237	7.7%
Income Tax (Benefit)/Expense	(4,656)	-2.7%	(5,713)	-3.4%	2,988	0.5%	1,929	0.3%
Net Income (Loss)	<u>\$ (4,453)</u>	<u>-2.5%</u>	<u>\$ 8,603</u>	<u>5.0%</u>	<u>\$ 3,020</u>	<u>0.5%</u>	<u>\$ 43,308</u>	<u>7.4%</u>
Basic Earnings Per Share	<u>\$ (0.21)</u>		<u>\$ 0.39</u>		<u>\$ 0.14</u>		<u>\$ 1.93</u>	
Diluted Earnings Per Share	<u>\$ (0.21)</u>		<u>\$ 0.39</u>		<u>\$ 0.14</u>		<u>\$ 1.93</u>	

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

	October 29, 2022	January 29, 2022
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
ASSETS		
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	25,679	55,812
Merchandise inventories	116,718	124,907
Other current assets	<u>6,947</u>	<u>5,273</u>
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	<u>140,176</u>	<u>181,265</u>
TOTAL	<u>\$ 540,545</u>	<u>\$ 633,766</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current Lease Liability	\$ 147,705	\$ 177,327
Current Lease Liability	55,723	66,808
Noncurrent Liabilities	16,688	17,914
Lease Liability	85,622	117,521
Stockholders' Equity	<u>234,807</u>	<u>254,196</u>
TOTAL	<u>\$ 540,545</u>	<u>\$ 633,766</u>

