

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

Form 8-K

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

Date of Report (Date of earliest event reported): March 21, 2024

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 March 21, 2024, The Cato Corporation issued a press release regarding its financial results for the fourth quarter ending February 3, 2024. A copy of this press release is hereby incorporated as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued March 21, 2024](#)

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

Signatures

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

THE CATO CORPORATION

March 25, 2024

Date

/s/ John P. D. Cato

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

March 25, 2024

Date

/s/ Charles D. Knight

Charles D. Knight
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
99.1 - Press Release issued March 21, 2024	99.1
104 Cover page Interactive Data File (embedded within Inline XBRL document)	104

NEWS RELEASE
FOR IMMEDIATE RELEASE

For Further Information Contact:

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

CATO REPORTS 4Q AND FULL YEAR LOSS

CHARLOTTE, N.C. (March 21, 2024) – The Cato Corporation (NYSE: CATO) today reported a net loss of (\$23.4) million or (\$1.14) per diluted share for the fourth quarter ended February 3, 2024, compared to a net loss of (\$3.0) million or (\$0.14) per diluted share for the fourth quarter ended January 28, 2023. Full-year fiscal 2023 net loss was (\$23.9) million or (\$1.17) per diluted share compared to net income of \$0.0 million or \$0.00 per diluted share for 2022. Contributing to the net loss is income tax expense of \$10.9 million for the fourth quarter of fiscal 2023 and \$10.1 million for the full year of fiscal 2023. The income tax expense is primarily due to a non-cash valuation allowance recorded against U.S. federal and state deferred tax assets.

Sales for the fourth quarter ended February 3, 2024 were \$172.1 million, or a decrease of 3% from sales of \$177.5 million for the fourth quarter ended January 28, 2023. The Company's same-store sales for the quarter decreased 5% compared to the same period in 2022. The gap between sales and same store sales percentages is due to the fourth quarter of 2023 containing fourteen weeks versus thirteen weeks in the fourth quarter of fiscal 2022, as the fiscal year ended February 3, 2024 contains 53 weeks versus 52 weeks in the fiscal year ended January 28, 2023. For the year, the Company's sales decreased 7% to \$700.3 million from 2022 sales of \$752.4 million. Same-store sales for the year decreased 6% compared to 2022.

"Our fiscal 2023 sales trend was negatively impacted by pressure on our customers' discretionary spending levels primarily due to higher interest rates and inflation," said John Cato, Chairman, President and Chief Executive Officer. "Our full year gross margin rate improved compared to fiscal 2022, as we focused on controlling our inventory. Despite the challenges experienced throughout 2023, we have continued investing in key capital projects and efficiency initiatives in support of our long-term growth."

Fourth-quarter gross margin decreased from 31.3% to 31.0% of sales in 2023 reflecting pressure from increased markdowns, coupled with higher buying and domestic freight costs. Selling, general and administrative expenses as a percent of sales increased from 33.8% to 39.2% of sales during the quarter primarily due to increased store operating expenses, insurance, closed store and impairment expenses. Income tax for the quarter was an expense of \$10.9 million compared to a benefit of \$1.2 million last year. The increase in tax expense for the quarter was due primarily to a non-cash valuation allowance recorded against U.S. federal and state deferred tax assets.

For the full year 2023, gross margin increased from 32.3% of sales in 2022 to 33.7% of sales in part due to lower ocean freight costs and an increase in regular priced selling of goods, partially offset by higher occupancy and buying costs. Selling, general and administrative expenses increased to 36.1% of sales compared to 32.3% in the prior year. The selling, general and administrative rate increase was primarily due to higher payroll costs, insurance and closed store expenses including impairment expenses. Income tax expense for the year was \$10.1 million compared to an expense of \$1.7 million last year. The increase in tax expense for the year was due primarily to a non-cash valuation allowance recorded against U.S. federal and state deferred tax assets.

"As we look ahead to 2024, we remain cautious in this challenging economic environment with continued high interest rates and persistent inflation impacting our customers' disposable income," stated Mr. Cato. "In 2024, we will continue to introduce new merchandise offerings, as well as refine our existing merchandise assortments. We will also continue to

invest in our productivity and efficiency initiatives. As always we will continue our strategy of offering great fashion at a value, with outstanding customer service.”

During 2023, the Company opened seven stores, relocated two stores and permanently closed 109 stores. As of February 3, 2024, the Company operated 1,178 stores in 31 states, compared to 1,280 stores in 32 states as of January 28, 2023. During 2024, the Company plans to open up to 15 new stores and close up to 75 underperforming stores as leases expire. These store closings are anticipated to have minimal financial impact.

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

Statements in this press release that express a belief, expectation or intention, as well as those that are not a historical fact, including, without limitation, statements regarding the Company’s expected or estimated operational financial results, activities or opportunities, and potential impacts and effects of interest rates, inflation or other factors that may affect our customers’ disposable income or our costs, 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, inflation, wage rates, tax rates, interest rates, home values, consumer net worth and the availability of credit; changes in laws, regulations or government policies 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; adverse developments or volatility affecting the financial services industry or broader financial markets; 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 (LOSS) (UNAUDITED)
FOR THE PERIODS ENDED February 3, 2024 AND January 28, 2023
(Dollars in thousands, except per share data)

	Quarter Ended				Twelve Months Ended			
	February 3, 2024	% Sales	January 28, 2023	% Sales	February 3, 2024	% Sales	January 28, 2023	% Sales
REVENUES								
Retail sales	\$ 172,144	100.0%	\$ 177,510	100.0%	\$ 700,318	100.0%	\$ 752,370	100.0%
Other revenue (principally finance, late fees and layaway charges)	2,738	1.6%	1,539	0.9%	7,741	1.1%	6,890	0.9%
Total revenues	<u>174,882</u>	<u>101.6%</u>	<u>179,049</u>	<u>100.9%</u>	<u>708,059</u>	<u>101.1%</u>	<u>759,260</u>	<u>100.9%</u>
GROSS MARGIN (Memo)	53,367	31.0%	55,590	31.3%	236,005	33.7%	242,706	32.3%
COSTS AND EXPENSES, NET								
Cost of goods sold	118,777	69.0%	121,920	68.7%	464,313	66.3%	509,664	67.7%
Selling, general and administrative	67,433	39.2%	60,042	33.8%	252,777	36.1%	242,648	32.3%
Depreciation	2,500	1.5%	2,662	1.5%	9,871	1.4%	11,080	1.5%
Interest and other income	(1,347)	-0.8%	(1,337)	-0.8%	(5,101)	-0.7%	(5,902)	-0.8%
Costs and expenses, net	<u>187,363</u>	<u>108.8%</u>	<u>183,287</u>	<u>103.3%</u>	<u>721,860</u>	<u>103.1%</u>	<u>757,490</u>	<u>100.7%</u>
Income Before Income Taxes	(12,481)	-7.3%	(4,238)	-2.4%	(13,801)	-2.0%	1,770	0.2%
Income Tax Expense	<u>10,937</u>	<u>6.4%</u>	<u>(1,246)</u>	<u>-0.7%</u>	<u>10,140</u>	<u>1.4%</u>	<u>1,741</u>	<u>0.2%</u>
Net Income (Loss)	<u>\$ (23,418)</u>	<u>-13.6%</u>	<u>\$ (2,992)</u>	<u>-1.7%</u>	<u>\$ (23,941)</u>	<u>-3.4%</u>	<u>\$ 29</u>	<u>0.0%</u>
Basic Earnings Per Share	<u>\$ (1.14)</u>		<u>\$ (0.14)</u>		<u>\$ (1.17)</u>		<u>\$ -</u>	
Diluted Earnings Per Share	<u>\$ (1.14)</u>		<u>\$ (0.14)</u>		<u>\$ (1.17)</u>		<u>\$ -</u>	

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

	February 3, 2024 (Unaudited)	January 28, 2023 (Unaudited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,940	\$ 20,005
Short-term investments	79,012	108,652
Restricted cash	3,973	3,787
Accounts receivable - net	29,751	26,497
Merchandise inventories	98,603	112,056
Other current assets	<u>7,783</u>	<u>6,676</u>
Total Current Assets	243,062	277,673
Property and Equipment - net	64,022	70,382
Noncurrent Deferred Income Taxes	-	9,213
Other Assets	25,047	21,596
Right-of-Use Assets, net	<u>154,686</u>	<u>174,276</u>
TOTAL	<u>\$ 486,817</u>	<u>\$ 553,140</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current Lease Liability	\$ 126,900	\$ 135,597
Noncurrent Liabilities	61,108	67,360
Lease Liability	14,475	16,183
Stockholders' Equity	92,013	107,407
TOTAL	<u>192,321</u>	<u>226,593</u>
TOTAL	<u>\$ 486,817</u>	<u>\$ 553,140</u>

