

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 April 29, 1995

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 0-3747

THE CATO CORPORATION AND SUBSIDIARIES
(Exact name of registrant as specified in its charter)

Delaware 56-0484485
(State or other jurisdiction (I.R.S. Employer
of incorporation 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)

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 ☒ No

As of May 12, 1995, there were 23,172,796 shares of Class A Common Stock and
5,264,317 shares of Class B Common Stock outstanding.

THE CATO CORPORATION

FORM 10-Q

April 29, 1995

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PART I FINANCIAL INFORMATION

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THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended
April 29, April 30,
1995 1994
(In thousands, except per share data)

REVENUES:

Retail sales	\$114,461	\$110,105
Other income (principally finance and layaway charges)	3,294	3,026
Total revenues	117,755	113,131

COSTS AND EXPENSES:

Costs of goods sold, including occupancy, distribution and buying	75,276	70,781
Selling, general and administrative . .	29,188	27,733
Depreciation	1,939	1,608
Interest	78	80
Total expenses	106,481	100,202

INCOME BEFORE INCOME TAXES	11,274	12,929
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Income taxes	3,776	4,719
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NET INCOME	\$ 7,498	\$ 8,210
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EARNINGS PER SHARE	\$ 0.26	\$ 0.28
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DIVIDENDS PER SHARE	\$ 0.04	\$ 0.025
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See notes to unaudited consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS

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April 29, April 30, January 28,
1995 1994 1995
(In thousands)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 26,378	\$ 14,099	\$ 23,963
Short-term investments	25,423	27,119	22,263
Accounts receivable - net	37,455	38,219	37,926
Merchandise inventories	70,101	65,008	54,674
Deferred income taxes	1,914	1,607	2,053
Prepaid expenses	2,686	1,854	2,602

Total Current Assets	163,957	147,906	143,481
Property and Equipment	52,857	38,114	53,146
Other Assets	4,780	4,380	4,695
Total	\$ 221,594	\$190,400	\$201,322

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:			
Accounts payable.	\$ 48,467	\$ 38,475	\$ 36,159
Accrued expenses.	9,372	8,747	11,832
Income taxes	4,365	4,105	909
Total Current Liabilities.	62,204	51,327	48,900
Deferred Income Taxes	4,192	3,482	4,192
Other Noncurrent Liabilities.	7,061	298	6,722
Stockholders' Equity:			
Class A Common Stock, issued and outstanding			
23,172,796 shares, 23,100,991 shares			
and 23,132,327 shares at			
April 29, 1995, April 30, 1994			
and January 28, 1995, respectively.			
	771	769	770
Convertible Class B Common Stock, issued and			
outstanding 5,264,317 shares at April 29, 1995,			
April 30, 1994 and January 28, 1995,			
respectively			
	176	176	176
Preferred Stock, none	-	-	-
Additional paid-in capital.	62,343	62,012	62,278
Retained earnings	84,847	72,336	78,284
Total Stockholders' Equity.	148,137	135,293	141,508
Total	\$ 221,594	\$ 190,400	\$ 201,322

See notes to unaudited consolidated financial statements.

THE CATO CORPORATION

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended
April 29, April 30,
1995 1994
(In thousands)

OPERATING ACTIVITIES:

Net income	\$ 7,498	\$ 8,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,939	1,608
Amortization of investment premiums	50	219
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable.	471	(1,405)
(Increase) in merchandise inventories	(15,427)	(9,194)
(Increase) decrease in other assets	(169)	23
Increase in accrued income taxes	3,456	4,105
Increase (decrease) in accounts payable and other liabilities	10,256	(59)
Net cash provided by operating activities	8,074	3,507

INVESTING ACTIVITIES:

Expenditures for property and equipment	(1,719)	(4,234)
Purchases of short-term investments	(3,419)	(8,028)
Sales of short-term investments	550	1,303
Net cash used in investing activities	(4,588)	(10,959)

FINANCING ACTIVITIES:

Dividends paid	(1,137)	(709)
Proceeds from employee stock purchase plan. . . .	66	247
Proceeds from stock options exercised	-	12
Net cash used in financing activities	(1,071)	(450)
Net Increase (Decrease) in Cash and Cash Equivalents	2,415	(7,902)
Cash and Cash Equivalents at Beginning of Year	23,963	22,001
Cash and Cash Equivalents at End of Period. . . .	\$ 26,378	\$ 14,099

See notes to unaudited consolidated financial statements.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED APRIL 29, 1995 AND APRIL 30, 1994

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of the Company and all amounts shown at April 29, 1995 and April 30, 1994 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included.

Certain reclassifications have been made to the consolidated financial statements as of April 30, 1994 to conform with classifications used as of April 29, 1995.

The Company's short-term investments are classified as available for sale securities, and therefore, are carried at fair value, with unrealized gains and losses, net of income taxes, reported as an adjustment to retained earnings.

Inventories are stated at the lower of cost (first-in, first-out) or market, determined by the retail inventory method.

The provisions for income taxes are based on the Company's estimated annual effective tax rate.

NOTE 2 - EARNINGS PER SHARE:

Earnings per share is calculated by dividing net income by the weighted average number of Class A and Class B common shares and common stock equivalents outstanding during the respective periods. Common stock equivalents represent the dilutive effect of the assumed exercise of outstanding stock options. The number of shares used in the earnings per share computations were 28,535,326 shares for the three months ended April 29, 1995 and 29,569,369 shares for the three months ended April 30, 1994.

NOTE 3 - SHORT-TERM INVESTMENTS:

Short-term investments at April 29, 1995 and April 30, 1994 include the following (in thousands):

Security Type	April 29, 1995			April 30, 1994		
	Cost	Unrealized Gain(Loss)	Estimated Fair Value	Cost	Unrealized Gain(Loss)	Estimated Fair Value
Obligations of states and political subdivisions	\$19,386	\$ (20)	\$19,366	\$21,227	-	\$21,227
Corporate debt securities	2,000	(130)	1,870	2,000	-	2,000
	-----	-----	-----	-----	-----	-----
Subtotal	21,386	(150)	21,236	23,227	-	23,227
Equity securities	4,548	(361)	4,187	3,892	-	3,892
	-----	-----	-----	-----	-----	-----
Total	\$25,934	\$ (511)	\$25,423	\$27,119	-	\$27,119
	=====	=====	=====	=====	=====	=====

The amortized cost and estimated fair value of debt and marketable equity securities at April 29, 1995 and April 30, 1994, by contractual maturity, are shown below (in thousands):

Security Type	April 29, 1995		April 30, 1994	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Due in one year or less	\$18,880	\$18,718	\$ 18,774	\$18,774
Due in one year through three years	2,506	2,518	4,453	4,453
	-----	-----	-----	-----
Subtotal	21,386	21,236	23,227	23,227
Equity securities	4,548	4,187	3,892	3,892
	-----	-----	-----	-----
Total	\$25,934	\$25,423	\$27,119	\$27,119
	=====	=====	=====	=====

THE CATO CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED APRIL 29, 1995 AND APRIL 30, 1994

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the three months ended April 29, 1995 and April 30, 1994 was \$145,000 and \$39,000, respectively. Income tax payments, net of refunds received, were \$318,000 and \$44,000 for the three months ended April 29, 1995

and April 30, 1994, respectively.

NOTE 5 - LEASES:

In the three months ended April 29, 1995, the Company entered into an agreement with a lessor to lease \$4,200,000 of store fixtures, POS devices and warehouse equipment. The operating lease is for a term of seven years but may be canceled annually upon notice to the lessor. Upon notice of cancellation, the Company would be obligated to purchase the equipment at a prescribed termination value from the lessor.

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

RESULTS OF OPERATIONS

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

	Three Months Ended	
	April 29, 1995	April 30, 1994
Total retail sales	100.0%	100.0%
Total revenues	102.9	102.7
Cost of goods sold, including occupancy, distribution and buying	65.8	64.3
Selling, general and administrative	25.5	25.2
Income before income taxes	9.8	11.7
Net income	6.5	7.5

Comparison of First Quarter of 1995 with 1994.

OPERATING RESULTS

Total retail sales for the first quarter increased 4% over last year's first quarter to \$114.5 million from \$110.1 million. Same-store sales decreased 5% in this year's first quarter. The Company operated 656 stores at April 29, 1995 compared to 606 stores operated at the end of last year's first quarter. Sales from new, relocated or expanded stores opened within the last year were responsible for the increase in first quarter sales.

Other income for the first quarter increased 9% over last year's first quarter. The increase in the current year resulted primarily from increased earnings from cash equivalents and short-term investments.

Cost of goods sold, including occupancy, distribution, and buying expenses were 65.8% of total retail sales for the current year's first quarter, compared to 64.3% for last year's first three months. The increase in cost of goods sold as a percent of retail sales resulted primarily from sales not achieving plan for the first quarter. Additionally, distribution and occupancy costs rose as a percent of retail sales. As a result of the continued competitive pressures being experienced in the apparel industry, the Company is planning its sales and inventory levels more conservatively for the remainder of the current year.

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

Selling, general and administrative (SG&A) expenses were \$29.2 million, or 25.5% of retail sales, for this year's first quarter, compared to \$27.7 million, or 25.2% of retail sales, in last year's first quarter. The overall increase in SG&A resulted primarily from increased selling-related expenses brought about by the Company's store development activity. The Company has continued to maintain a conservative cost structure and is continuing to closely monitor all expenses.

LIQUIDITY AND CAPITAL RESOURCES

At April 29, 1995, the Company had working capital of \$101.8 million, compared to \$96.6 million at April 30, 1994 and \$94.6 million at January 28, 1995. Cash provided by operating activities was \$8.1 million for the three months ended April 29, 1995, compared to \$3.5 million for last year's comparable three-month period. The Company had no borrowings under its \$35 million revolving credit and term loan agreement at April 29, 1995 or April 30, 1994. At April 29, 1995, the Company had cash, cash equivalents, and short-term investments of \$51.8 million, compared to \$41.2 million at April 30, 1994 and \$46.2 million at January 28, 1995.

In this year's first quarter, the Company entered into an agreement with a lessor to lease \$4.2 million of store fixtures, POS devices and warehouse equipment. The operating lease is for a term of seven years but may be cancelled annually upon notice to the lessor. Upon notice of cancellation, the Company would be obligated to purchase the equipment at a prescribed termination value. Additionally, the Company has the option of leasing up to \$10.8 million more of qualifying assets during the current fiscal year.

Expenditures for property and equipment totaled \$1.7 million for the three months ended April 29, 1995, compared to \$4.2 million of expenditures in last year's first three months. The Company expects total capital expenditures to be approximately \$21.0 million for current fiscal year. The Company intends to open approximately 63 new stores in the current fiscal year and to relocate or expand an additional 40 stores. Additional expenditures are planned for materials handling equipment for the Company's distribution facilities and to upgrade management information systems. For the quarter ended April 29, 1995, the Company had opened 12 new stores, relocated or expanded 10 stores and closed 2 stores this fiscal year.

The Company believes that its cash, cash equivalents and short-term investments, together with cash flow from operations and borrowings available under a \$35 million revolving credit and term loan agreement, will be adequate to fund the Company's proposed capital expenditures and other operating requirements.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

Not Applicable

ITEM 4. RESULT OF VOTES OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) None

(B) No Reports on Form 8-K were filed during the quarter ended April 29, 1995.

PART II OTHER INFORMATION (CONTINUED)

THE CATO CORPORATION

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

May 31, 1995
Date

/s/ Wayland H. Cato, Jr.
Wayland H. Cato, Jr.
Chairman of the Board of
Directors and Chief Executive
Officer

May 31, 1995
Date

/s/ Alan E. Wiley
Alan E. Wiley
Executive Vice President-Secretary,
Chief Financial and Administrative
Officer

<ARTICLE> 5

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
BALANCE SHEET AND INCOME STATEMENT AND IS QUALIFIED IN ITS ENTIRETY BY
REFERENCE TO SUCH FINANCIAL STATEMENTS.

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