

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 18, 2021

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 18, 2021, The Cato Corporation issued a press release regarding its financial results for the fourth quarter ending January 30, 2021. 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 March 18, 2021](#)

[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 19, 2021

Date

/s/ John P. D. Cato

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

March 19, 2021

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 March 18, 2021</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 4Q AND FULL-YEAR LOSS

CHARLOTTE, N.C. (March 18, 2021) — The Cato Corporation (NYSE: CATO) today reported losses for the fourth quarter and year ended January 30, 2021. For the fourth quarter, the Company reported a net loss of \$6.9 million, or (\$0.31) per diluted share, compared to a net loss of \$3.2 million or (\$0.13) per diluted share for the prior fourth quarter ended February 1, 2020. Full-year fiscal 2020 net loss was \$46.1 million or (\$1.96) per diluted share compared to income of \$35.9 million or \$1.46 earnings per diluted share for 2019.

Sales for fiscal fourth quarter ended January 30, 2021 were \$153.2 million, a decrease of 19% from sales of \$188.4 million for the fourth quarter ended February 1, 2020. For the quarter, same-store sales decreased 20% from last year. For the year, the Company's sales decreased 30% to \$567.5 million from 2019 sales of \$816.2 million. Same-store sales for the year decreased 32% to last year.

"We began 2020 with a focus on growing the business," said John Cato, Chairman, President and Chief Executive Officer. "As a result of the COVID-19 pandemic, our focus quickly shifted to protecting the business."

Fourth-quarter gross margin decreased to 29.9% of sales from 34.3% of sales in 2019 primarily due to a reduction in merchandise contribution combined with the effects of deleveraging occupancy expense. Selling, general and administrative expenses were 37.0% of sales compared to 35.6% in the prior year. SG&A costs as a percent of sales were higher in the quarter primarily due to a store impairment charge of \$6.2 million, partially offset by the elimination of incentive compensation compared to prior year and company-wide expense reductions. A pre-tax loss and the beneficial

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effects of the CARES Act resulted in \$2.4 million of tax benefit versus expense of \$0.8 million last year.

For 2020, gross margin decreased to 23.7% of sales from 37.6% of sales in 2019 due to a reduction in merchandise contribution combined with the effects of deleveraging occupancy and buying expenses. 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 impairment charges of \$13.7 million and the effects of deleveraging corporate expenses, partially offset by the elimination of incentive compensation and company-wide expense reductions. Income tax benefit for the year was \$25.1 million compared to an expense of \$7.3 million last year.

"2020 was a challenging year for specialty apparel retail. We made some difficult decisions in an effort to sustain our business in the wake of the pandemic," Mr. Cato said. "Despite the challenges of the COVID-19 pandemic, Cato continues to maintain a strong balance sheet, with \$143.9 million in unrestricted cash and short-term investments and no debt. As we begin to regain ground lost during 2020, our priority will continue to be the health and safety of our associates and customers, providing a safe shopping environment, while offering great value to our customers." For the fiscal year ended January 30, 2021, the Company opened 76 stores, relocated 3 stores and closed 27 stores. As of January 30, 2021, the Company operated 1,330 stores in 33 states.

As the effects of the pandemic continue into 2021, there remains a high level of uncertainty about when these effects will subside, the continued impact they will have on our customers' buying habits and the duration of supply chain disruption. In light of these uncertainties, we are not planning any store development for 2021, are keeping our capital expenditures to a minimum and not providing a 2021 outlook.

Statements, in this press release that express a belief, expectation or intention, as well as those that are not historical fact, including, without limitation, any statements regarding the potential impact of the COVID-19 pandemic on the Company's business, under the Private Securities Litigation Reform Act of 1995. 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. 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, 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 and the availability of credit; changes in laws, regulations or governmental 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 our ability of any such new stores to

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grow and perform as expected; adverse weather, public health threats (including the global coronavirus (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 the Company's most recently filed annual report on Form 10-K and in other reports we file with or furnish to the Securities and Exchange Commission ("SEC") from time to time. The Company does not undertake, to publicly update or revise any forward-looking statements made in this press release even if experience or future changes make it clear that any outcomes expressed or implied by such forward-looking statements 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 JANUARY 30, 2021 AND FEBRUARY 1, 2020

(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>		<u>Twelve Months Ended</u>	
	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>January 30, 2021</u>	<u>February 1, 2020</u>
	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>
REVENUES				
Retail sales	\$ 153,233	\$ 188,404	\$ 567,516	\$ 816,184
Other revenue (principally finance, late fees and layaway charges)	2,185	2,475	7,595	9,151
Total revenues	<u>155,418</u>	<u>190,879</u>	<u>575,111</u>	<u>825,335</u>
GROSS MARGIN (Memo)	45,784	64,577	134,329	307,278
COSTS AND EXPENSES, NET				
Cost of goods sold	107,449	123,827	433,187	508,906
Selling, general and administrative	56,726	67,065	205,079	263,802
Depreciation	3,568	3,963	14,681	15,485
Interest and other income	(3,027)	(1,574)	(6,630)	(6,065)
Cost and expenses, net	<u>164,716</u>	<u>193,281</u>	<u>646,317</u>	<u>782,128</u>
Income (Loss) Before Income Tax	<u>(9,298)</u>	<u>(2,402)</u>	<u>(71,206)</u>	<u>43,207</u>
Income Tax (Benefit)/Expense	<u>(2,370)</u>	<u>808</u>	<u>(25,069)</u>	<u>7,310</u>
Net Income (Loss)	<u>\$ (6,928)</u>	<u>\$ (3,210)</u>	<u>\$ (46,137)</u>	<u>\$ 35,897</u>
Basic Earnings Per Share	<u>\$ (0.31)</u>	<u>\$ (0.13)</u>	<u>\$ (1.96)</u>	<u>\$ 1.46</u>
Diluted Earnings Per Share	<u>\$ (0.31)</u>	<u>\$ (0.13)</u>	<u>\$ (1.96)</u>	<u>\$ 1.46</u>

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THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

January 30, February 1,
2021 2020
(Unaudited) (Unaudited)

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 17,510	\$ 11,824
Short-term investments	126,416	200,387
Restricted cash	3,918	3,896
Accounts receivable - net	52,320	26,088
Merchandise inventories	84,123	115,365
Other current assets	<u>5,839</u>	<u>5,237</u>
Total Current Assets	290,126	362,797
Property and Equipment – net	72,550	88,667
Noncurrent Deferred Income Tax	5,685	8,636
Other Assets	22,850	24,073
Right-of-Use Assets, net	<u>199,817</u>	<u>200,803</u>
TOTAL	<u>\$ 591,028</u>	<u>\$ 684,976</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	\$ 116,913	\$ 136,153
Current Lease Liability	63,421	63,149
Noncurrent Liabilities	19,536	21,976
Lease Liability	143,315	147,184
Stockholders' Equity	<u>247,843</u>	<u>316,514</u>
TOTAL	<u>\$ 591,028</u>	<u>\$ 684,976</u>

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