

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-K**

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

For the fiscal year ended February 3, 2024

or

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

Commission File Number 1-31340

**The Cato Corporation**

*Registrant*

Delaware  
*State of Incorporation*  
  
8100 Denmark Road  
Charlotte, North Carolina 28273-5975  
*Address of Principal Executive Offices*

56-0484485  
*I.R.S. Employer Identification Number*  
  
704/554-8510  
*Registrant's Telephone Number*

**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

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Emerging Growth Company

Non-accelerated filer

Smaller reporting 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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of the Registrant's Class A Common Stock held by non-affiliates of the Registrant as of July 29, 2023, the last business day of the Company's most recent second quarter, was \$ 146,852,671 based on the last reported sale price per share on the New York Stock Exchange on that date.

As of February 3, 2024, there were 18,802,742 shares of Class A common stock and 1,763,652 shares of Class B common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement relating to the 2024 annual meeting of shareholders are incorporated by reference into Part III.

**THE CATO CORPORATION**

**FORM 10-K**

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## Forward-looking Information

The following information should be read along with the Consolidated Financial Statements, including the accompanying Notes appearing in this report. Any of the following are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended: (1) statements in this Form 10-K and any documents incorporated by reference that reflect projections or expectations of our future financial or economic performance; (2) statements that are not historical information; (3) statements of our beliefs, intentions, plans and objectives for future operations, including those contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; (4) statements relating to our operations or activities for our fiscal year ended February 3, 2024 (“fiscal 2023”) and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodels and closures, statements regarding the potential impact of the COVID-19 pandemic and related responses and mitigation efforts, as well as the potential impact of supply chain disruptions, extreme weather conditions, inflationary pressures and other economic conditions on our business, results of operations and financial condition and statements regarding new store development strategy; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as “will,” “expects,” “anticipates,” “approximates,” “believes,” “estimates,” “hopes,” “intends,” “may,” “plans,” “could,” “would,” “should” and any variations or negative formations of such words and similar expressions. 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. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but 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, 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 our ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global 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; 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 this annual report on Form 10-K for the fiscal year ended February 3, 2024 (“fiscal 2023”), as amended or supplemented, and in other reports we file with or furnish to the Securities and Exchange Commission (“SEC”) from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

As used herein, the terms “we,” “our,” “us,” the “Company” or “Cato” include The Cato Corporation and its subsidiaries, unless the context indicates another meaning and except that when used with reference to common stock or other securities described herein and in describing the positions held by management of the Company, such terms include only The Cato Corporation. Our website is located at [www.catofashions.com](http://www.catofashions.com) where we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports (including amendments to these reports) filed or furnished pursuant to Section 13(a) or 15(d) under the Securities Exchange Act of 1934. These reports are available as soon as reasonably practicable after we electronically file these materials with the SEC. We also post on our website the charters of our Audit,

Compensation and Corporate Governance and Nominating Committees; our Corporate Governance Guidelines; Code of Business Conduct and Ethics and Code of Ethics for the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer and any amendments or waivers thereto for any of our directors or executive officers; and any other publicly available corporate governance materials contemplated by SEC or New York Stock Exchange regulations. The information contained on our website, [www.catofashions.com](http://www.catofashions.com), is not, and should in no way be construed as, a part of this or any other report that we filed with or furnished to the SEC.

## PART I

### Item 1. *Business:*

#### **Background**

The Company, founded in 1946, operated 1,178 fashion specialty stores at February 3, 2024, in 31 states, principally in the southeastern United States, under the names “Cato,” “Cato Fashions,” “Cato Plus,” “It’s Fashion,” “It’s Fashion Metro” and “Versona.” The Cato concept seeks to offer quality fashion apparel and accessories at low prices every day, in junior/missy and plus sizes. The Cato concept’s stores and e-commerce website feature a broad assortment of apparel and accessories, including dressy, career, and casual sportswear, dresses, coats, shoes, lingerie, costume jewelry and handbags. A major portion of the Cato concept’s merchandise is sold under its private label and is produced by various vendors in accordance with the concept’s specifications. The It’s Fashion and It’s Fashion Metro concepts offer fashion with a focus on the latest trendy styles for the entire family at low prices every day. The Versona concept’s stores and e-commerce website offer quality fashion apparel items, jewelry and accessories at exceptional values every day. The Company’s stores range in size from 2,400 to 19,000 square feet and are located primarily in strip shopping centers anchored by national discounters or market-dominant grocery stores. The Company emphasizes friendly customer service and coordinated merchandise presentations in an appealing store environment. The Company offers its own credit card and layaway plan. Credit and layaway sales under the Company’s plan represented 6% of retail sales in fiscal 2023. See Note 13 to the Consolidated Financial Statements, “Reportable Segment Information,” for a discussion of information regarding the Company’s two reportable segments: Retail and Credit.

The Company has operated Cato-branded retail stores for approximately 77 years. The Company originated as a family-owned business and made its first initial public offering of stock in 1968. In 1980, the Company went private and in 1987 again conducted an initial public offering.

#### **Business Strategy**

The Company’s primary objective is to be the leading fashion specialty retailer for fashion and value in its markets. Management believes the Company’s success is dependent upon its ability to differentiate its stores from department stores, mass merchandise discount stores and competing specialty stores. The key elements of the Company’s business strategy are:

*Merchandise Assortment.* The Company’s stores offer a wide assortment of on-trend apparel and accessory items in primarily junior/missy, plus sizes, men and kids sizes, toddler to boys size 20 and girls size 16 with an emphasis on color, product coordination and selection. Colors and styles are coordinated and presented so that outfit selection is easily made.

*Value Pricing.* The Company offers quality merchandise that is generally priced below comparable merchandise offered by department stores and mall specialty apparel chains, but is generally more fashionable than merchandise offered by discount stores. Management believes that the Company has positioned itself as the every day low price leader in its market segment.

*Strip Shopping Center Locations.* The Company locates its stores principally in convenient strip centers anchored by national discounters or market-dominant grocery stores that attract large numbers of potential customers.

*Customer Service.* Store managers and sales associates are trained to provide prompt and courteous service and to assist customers in merchandise selection and wardrobe coordination.

*Credit and Layaway Programs.* The Company offers its own credit card and a layaway plan to make

the purchase of its merchandise more convenient for its customers.

## **Merchandising**

### ***Merchandising***

The Company seeks to offer a broad selection of high quality and exceptional value apparel and accessories to suit the various lifestyles of fashion and value-conscious customers. In addition, the Company strives to offer on-trend fashion in exciting colors with consistent fit and quality.

The Company's merchandise lines include dressy, career, and casual sportswear, dresses, coats, shoes, lingerie, costume jewelry, handbags, men's wear and lines for kids and infants. The Company primarily offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, every day.

The Company believes that the collaboration of its merchandising and design teams with an expanded in-house product development and direct sourcing function has enhanced merchandise offerings and delivers quality, exclusive on-trend styles at lower prices. The product development and direct sourcing operations provide research on emerging fashion and color trends, technical services and direct sourcing options.

As a part of its merchandising strategy, members of the Company's merchandising and design staff visit selected stores to monitor the merchandise offerings of other retailers, regularly communicate with store operations associates and frequently confer with key vendors. The Company also takes aggressive markdowns on slow-selling merchandise and typically does not carry over merchandise to the next season.

### ***Purchasing, Allocation and Distribution***

Although the Company purchases merchandise from approximately 600 suppliers, most of its merchandise is purchased from approximately 100 primary vendors. In fiscal 2023, purchases from the Company's largest vendor accounted for approximately 13% of the Company's total purchases. The Company is not dependent on its largest vendor or any other vendor for merchandise purchases, and the loss of any single vendor or group of vendors would not have a material adverse effect on the Company's operating results or financial condition. A substantial portion of the Company's merchandise is sold under its private labels and is produced by various vendors in accordance with the Company's strict specifications. The Company sources a majority of its merchandise directly from manufacturers overseas, primarily in Southeast Asia. These manufacturers are dependent on materials that are primarily sourced from China. The Company purchases its remaining merchandise from domestic importers and vendors, which typically minimizes the time necessary to purchase and obtain shipments; however, these vendors are dependent on materials primarily sourced from China. The Company opened its own overseas sourcing operations in the fall of 2014, replacing the Company's former sourcing agent in 2015. Although a significant portion of the Company's merchandise is manufactured overseas, primarily in Southeast Asia, the Company does not expect that any economic, political, public health or social unrest in any one country would have a material adverse effect on the Company's ability to obtain adequate supplies of merchandise. However, the Company can give no assurance that any changes or disruptions in its merchandise supply chain would not materially and adversely affect the Company. See "Risk Factors – Risks Relating to Our Business – Because we source a significant portion of our merchandise directly and indirectly from overseas, we are subject to risks associated with changes, disruptions, increased costs or other problems affecting the Company's merchandise supply chain; the risks of conducting international operations and risks that affect the prevailing social, economic, political, public health and other conditions in the areas from which we source merchandise have and could continue to materially and adversely affect the Company's business, results of operations and financial condition."

An important component of the Company's strategy is the allocation of merchandise to individual stores based on an analysis of sales trends by merchandise category, customer profiles and climatic conditions. A merchandise control system provides current information on the sales activity of each merchandise style in each of the Company's stores. Point-of-sale terminals in the stores collect and transmit sales and inventory information to the Company's central database, permitting timely response to sales trends on a store-by-store basis.

All merchandise is shipped directly to the Company's distribution center in Charlotte, North Carolina, where it is inspected and then allocated by the merchandise distribution staff for shipment to individual stores. The flow of merchandise from receipt at the distribution center to shipment to stores is controlled by an online system. Shipments are made by common carrier, and each store receives at least one shipment per week. The centralization of the Company's distribution process also subjects it to risks in the event of damage to or destruction of its distribution facility or other disruptions affecting the distribution center or the flow of goods into or out of Charlotte, North Carolina. See "Risk Factors – Risks Relating to Our Information Technology, Related Systems and Cybersecurity – A disruption or shutdown of our centralized distribution center or transportation network could materially and adversely affect our business and results of operations."

### ***Advertising***

The Company uses television, in-store signage, graphics, a Company website, two e-commerce websites and social media as its primary advertising media. The Company's total advertising expenditures were approximately 1.0%, 1.0% and 0.9% of retail sales for fiscal years 2023, 2022 and 2021, respectively.

### **Store Operations**

The Company's store operations management team consists of four territorial managers, 11 regional managers and 104 district managers. Regional managers receive a salary plus a bonus based on achieving targeted goals for sales and payroll. District managers receive a salary plus a bonus based on achieving targeted objectives for district sales increases. Stores are typically staffed with a manager, two assistant managers and additional part-time sales associates depending on the size of the store and seasonal personnel needs. In general, store managers are paid a salary or on an hourly basis as are all other store personnel. Store managers, assistant managers and sales associates are eligible for monthly and semi-annual bonuses based on achieving targeted goals for their respective store's sales increases.

### **Store Locations**

Most of the Company's stores are located in the southeastern United States in a variety of markets ranging from small towns to large metropolitan areas with trade area populations of 20,000 or more. Stores average approximately 4,500 square feet in size.

All of the Company's stores are leased. Approximately 93% are located in strip shopping centers and 7% in enclosed shopping malls. The Company typically locates stores in strip shopping centers anchored by a national discounter, primarily Walmart Supercenters, or market-dominant grocery stores. The Company's strip center locations provide ample parking and shopping convenience for its customers.

The Company's store development activities consist of opening new stores in new and existing markets, relocating selected existing stores to more desirable locations in the same market area and closing underperforming stores. The following table sets forth information with respect to the Company's development activities since fiscal 2019:

## Store Development

<u>Fiscal Year</u>	<u>Number of Stores Beginning of Year</u>	<u>Number Opened</u>	<u>Number Closed</u>	<u>Number of Stores End of Year</u>
2019.....	1,311	5	35	1,281
2020.....	1,281	76	27	1,330
2021.....	1,330	6	25	1,311
2022.....	1,311	19	50	1,280
2023.....	1,280	9	111	1,178

The Company periodically reviews its store base to determine whether any particular store should be closed based on its sales trends and profitability. The Company intends to continue this review process to identify underperforming stores.

### Credit and Layaway

#### *Credit Card Program*

The Company offers its own credit card, which accounted for 3.4%, 3.1% and 2.5% of retail sales in fiscal 2023, 2022 and 2021, respectively. The Company's net bad debt expense was 3.6%, 2.0% and 3.0% of credit sales in fiscal 2023, 2022 and 2021, respectively.

Customers applying for the Company's credit card are approved for credit if they have a satisfactory credit record and the Company has considered the customer's ability to make the required minimum payment. Customers are required to make minimum monthly payments based on their account balances. If the balance is not paid in full each month, the Company assesses the customer a finance charge. If payments are not received on time, the customer is assessed a late fee subject to regulatory limits.

The Company introduced its loyalty program in October 2021. The loyalty program credits the customer points based on their purchases of merchandise using the Company's proprietary credit card. A point is earned for every dollar spent on merchandise purchases. A \$5.00 rewards card is earned for every 250 points accumulated by the customer. The rewards card expires 90 days after the rewards card is issued. The fiscal 2023 loyalty program impact is immaterial to the fiscal 2023 financial statements. The loyalty program is accounted for in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

#### *Layaway Plan*

Under the Company's layaway plan, merchandise is set aside for customers who agree to make periodic payments. The Company adds a nonrefundable administrative fee to each layaway sale. If no payment is made within four weeks, the customer is considered to have defaulted, and the merchandise is returned to the selling floor and again offered for sale, often at a reduced price. All payments made by customers who subsequently default on their layaway purchase are returned to the customer upon request, less the administrative fee and a restocking fee.

The Company defers recognition of layaway sales to the accounting period when the customer picks up and completely pays for layaway merchandise. Administrative fees are recognized in the period in which the layaway is initiated. Recognition of restocking fees occurs in the accounting period when the customer defaults on the layaway purchase. Layaway sales represented approximately 3.0%, 2.7% and 2.7% of retail sales in fiscal 2023, 2022 and 2021, respectively.



## **Information Technology Systems**

The Company's information technology systems provide daily financial and merchandising information that is used by management to enhance the timeliness and effectiveness of purchasing and pricing decisions. Management uses a daily report comparing actual sales with planned sales and a weekly ranking report to monitor and control purchasing decisions. Weekly reports are also produced which reflect sales, weeks of supply of inventory and other critical data by product categories, by store and by various levels of responsibility reporting. Purchases are made based on projected sales, but can be modified to accommodate unexpected increases or decreases in demand for a particular item.

Sales information is projected by merchandise category and, in some cases, is further projected and actual performance measured by stock keeping unit (SKU). Merchandise allocation models are used to distribute merchandise to individual stores based upon historical sales trends, climatic conditions, customer demographics and targeted inventory turnover rates.

## **Competition**

The women's retail apparel industry is highly competitive. The Company believes that the principal competitive factors in its industry include merchandise assortment and presentation, fashion, price, store location and customer service. The Company competes with retail chains that operate similar women's apparel specialty stores. In addition, the Company competes with mass merchandise chains, discount store chains, major department stores, off-price retailers and internet-based retailers. Although we believe we compete favorably with respect to the principal competitive factors described above, many of our direct and indirect competitors are well-established national, regional or local chains, and some have substantially greater financial, marketing and other resources. The Company expects its stores in larger cities and metropolitan areas to face more intense competition.

## **Seasonality**

Due to the seasonal nature of the retail business, the Company has historically experienced and expects to continue to experience seasonal fluctuations in its revenues, operating income and net income. Our stores typically generate a higher percentage of our annual net sales and profitability in the first and second quarters of our fiscal year compared to other quarters. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

## **Regulation**

The Company's business and operations subject it to a wide range of local, state, national and international laws and regulations in a variety of areas, including but not limited to, trade, licensing and permit requirements, import and export matters, privacy and data protection, credit regulation, environmental matters, recordkeeping and information management, tariffs, taxes, intellectual property and anti-corruption. Though compliance with these laws and regulations has not had a material effect on our capital expenditures, results of operations or competitive position in fiscal 2023, the Company faces ongoing risks related to its efforts to comply with these laws and regulations and risks related to noncompliance, as discussed generally below throughout the "Risk Factors" section and in particular under "Risk Factors – Risks Relating to Accounting and Legal Matters – Our business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could result in increased costs or liabilities, divert our management's attention or otherwise adversely affect our business, results of operations and financial condition."

## **Human Capital**

As of February 3, 2024, the Company employed approximately 7,300 full-time and part-time associates. The Company also employs additional part-time associates during the peak retailing seasons. The Company's full-time associates are engaged in various executive, operating, and administrative functions in the Home Office and distribution center and the remainder are engaged in store operations. The Company is not a party to any collective bargaining agreements and considers its associate relations to be good. The Company offers a broad range of Company-paid benefits to its associates including medical and dental plans, paid vacation, a 401(k) plan, Employee Stock Purchase Plan, Employee Stock Ownership Plan, disability insurance, associate assistance programs, life insurance and an associate discount. The level of benefits and eligibility vary depending on the associate's full-time or part-time status, date of hire, length of service and level of pay. The Company endeavors to promote diversity, to provide opportunities for advancement, and to treat all of its associates with dignity and respect. The Company constantly strives to improve its training programs to develop associates. Over 80% of store and field management are promoted from within, allowing the Company to internally staff its store base. The Company has training programs at each level of store operations. The Company also performs ongoing reviews of its safety protocols, including measures to promote the health and safety of its associates.

**Item 1A. Risk Factors:**

An investment in our common stock involves numerous types of risks. You should carefully consider the following risk factors, in addition to the other information contained in this report, including the disclosures under "Forward-looking Information" above in evaluating our Company and any potential investment in our common stock. If any of the following risks or uncertainties occur or persist, our business, financial condition and operating results could be materially and adversely affected, the trading price of our common stock could decline and you could lose all or a part of your investment in our common stock. The risks and uncertainties described in this section are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business, operating results, financial condition and value of our common stock.

**Risks Relating to Our Business:**

***Continued high interest rates and inflationary conditions have and may continue to adversely impact our customers' discretionary income or willingness to purchase discretionary items, which may adversely affect our business, margins, results of operations and financial condition.***

Continued high interest rates have adversely affected our customers' discretionary income, in part due to increased interest costs associated with credit accounts including revolving credit accounts, car loans, mortgage loans and other credit accounts. In addition, the increased payments due to higher interest rates deter our customers from purchasing discretionary items such as apparel, shoes and jewelry. Continued inflationary pressures limit our customers' willingness to purchase apparel, shoe or jewelry products, as prices associated with non-discretionary items, including food, fuel and shelter costs increase or remain high, reducing our customers' discretionary income. Any reduction in our customers' discretionary spending on our products could erode our sales volume and adversely affect our results of operations and financial condition.

***Because we source a significant portion of our merchandise directly and indirectly from overseas, we are subject to risks associated with changes, disruptions, increased costs or other problems affecting the Company's merchandise supply chain; the risks of conducting international operations and risks that affect the prevailing social, economic, political, public health and other conditions in the areas from which we source merchandise have and could continue to materially and adversely affect the Company's business, results of operations and financial condition.***

A significant amount of our merchandise is manufactured overseas, principally in Southeast Asia. We are subject to supply chain disruptions affecting transit times and costs, including issues related to a sustained drought in Panama that is causing longer transit times through the Panama Canal and limiting the number of containers on a vessel due to vessel draft restrictions. We also face disruptions from issues related to vessels transiting the Suez Canal and Red Sea, which are being forced to travel a much longer distance around the Cape of Good Hope due to the hostilities in the Middle East. These continued issues have and may continue to drive up our ocean freight costs, delay merchandise deliveries, and impact our ability to access the already limited supply of ocean container shipping capacity that we require. We also are subject to domestic supply chain disruptions, including lack of domestic intermodal transportation (trucks and drivers), domestic port congestion, including increased dwell times for incoming container ships, lack of container yard capacity and lack of available drayage from the ports and other conditions that impact our domestic supply chain. These supply chain risks have and may continue to result in both higher costs to transport our merchandise and delayed merchandise arrivals to our stores, which adversely affect our ability to sell this merchandise and increase markdowns of it.

We directly import some of this merchandise and indirectly import the remaining merchandise from domestic vendors who acquire the merchandise from foreign sources. Further, our third-party vendors are dependent on materials primarily sourced from China. As a result, we are subject to numerous risks that can cause significant delays or interruptions in the supply of our merchandise or increase our costs. These risks include political unrest, labor disputes, terrorism, war, public health threats, including but not limited to communicable diseases (such as COVID-19), financial or other forms of instability or other events resulting in the disruption of trade from countries affecting our supply chain, increased security requirements for imported merchandise, or the imposition of, or changes in, laws, regulations or changes in duties, quotas, tariffs, taxes or governmental policies regarding or responses to these matters or other factors affecting the availability or cost of imports. In addition, geopolitical tensions, sanctions, prohibitions, additional tariffs, compliance and reporting requirements have resulted in increased costs associated with merchandise produced in certain regions. Any new sanctions, tariffs and reporting requirements enacted in the future may further increase our costs associated with sourcing products from those regions or limit our ability to procure the products we source, and our ability to source these products from other regions may be limited or result in increased sourcing costs.

Our costs are also affected by currency fluctuations, and changes in the value of the dollar relative to foreign currencies have impacted and may continue to impact our cost of goods sold. Any of these factors can materially and adversely affect our business and results of operations. In addition, increased energy and transportation costs have caused us significant cost increases from time to time, and future adverse changes in these costs or the disruption of the means by which merchandise is transported to us could cause additional cost increases or interruptions of our supply chain, which could be significant. Further, we are subject to increased costs or potential disruptions impacting any port or trade route through which our products move, or we may be subject to increased costs and delays if forced to route freight through different ports than the ones through which our products typically move. If we are forced to source merchandise from other countries or other domestic vendors with foreign sources in different countries, those goods may be more expensive or of a different or inferior quality from the ones we now sell.

***The operation of our sourcing offices in Asia presents increased operational and legal risks.***

In October 2014, we established our own sourcing offices in Asia. If our sourcing offices are unable to successfully oversee merchandise production to ensure that product is produced on time and within the Company's specifications, our business, brand, reputation, costs, results of operations and financial condition could be materially and adversely affected.

In addition, the current business environment, including geopolitical issues, make operating in certain Asian markets challenging. To the extent we explore other countries to source our product or explore

increasing the amount of product sourced from current countries, we may be subject to additional increased legal and operational risks associated with doing business in new countries or increasing our business in other countries.

Further, the activities conducted by our sourcing offices outside the United States subject us to foreign operational risks, as well as U.S. and international regulations and compliance risks, as discussed elsewhere in this “Risk Factors” section, in particular below under “Risk Factors – Risks Relating to Accounting and Legal Matters - Our business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could result in increased costs or liabilities, divert our management’s attention or otherwise adversely affect our business, results of operations and financial condition.”

***Any actual or perceived deterioration in the conditions that drive consumer confidence and spending have and may continue to materially and adversely affect consumer demand for our apparel and accessories and our results of operations.***

Consumer spending habits, including spending for our apparel and accessories, are affected by, among other things, prevailing social, economic, political and public health conditions and uncertainties (such as matters under debate in the U.S. from time to time regarding budgetary, spending and tax policies), levels of employment, fuel, inflation, interest rates, energy and food costs, salaries and wage rates and other sources of income, tax rates, home values, consumer net worth, the availability of consumer credit, - consumer confidence and consumer perceptions of adverse changes in or trends affecting any of these conditions. Any perception that these conditions may be worsening or continuing to trend negatively may significantly weaken many of these drivers of consumer spending habits. Adverse perceptions of these conditions or uncertainties regarding them also generally cause consumers to defer purchases of discretionary items, such as our merchandise, or to purchase cheaper alternatives to our merchandise, all of which may also adversely affect our net sales and results of operations. In addition, numerous events, whether or not related to actual economic conditions, such as downturns in the stock markets, acts of war or terrorism, political unrest or natural disasters, outbreaks of disease or similar events, may also dampen consumer confidence, and accordingly, lead to reduced consumer spending. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

***Increased product costs, freight costs, wage increases and operating costs due to inflation and other factors, as well as limitations in our ability to offset these cost increases by increasing the retail prices of our products or otherwise, have and may continue to adversely affect our business, margins, results of operations and financial condition.***

Tight labor markets have caused wages to increase at the store, distribution center and home office levels, as well as making it more difficult to hire new associates and retain existing associates. The tight labor market and continued inflation also are driving up our operating costs. In addition, inflationary pressures on labor and raw materials used to make our products may continue to increase the cost we pay for our products. If we are unable to offset the effects of these increased costs to our business by increasing the retail prices of our products, reducing other expenses or otherwise, our business, margins, results of operations and financial condition may be adversely affected.

Our ability to raise retail prices in response to these cost increases is limited, in part due to our customers’ unwillingness to pay higher prices for discretionary items in light of actual or perceived effects of inflation in increasing our customers’ cost of essential items and diminishing customers’ disposable income, sentiment or financial outlook. Moreover, the persistence or worsening of inflationary conditions and high interest rates could also lead our customers to reduce their amount of current discretionary spending on our products even in the absence of price increases, which could erode our sales volume and adversely affect our results of operations and financial condition.

***Adverse developments affecting the financial services industry or events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties could adversely affect our business, financial condition or results of operations.***

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to sporadic or market-wide liquidity problems that could adversely affect us. If any of our transactional counterparties, such as our merchandise vendors and their factors, our landlords, our payment processors including credit card, gift card and checks, our transportation vendors and other vendors that provide services and supplies to us, are unable to access funds or lending arrangements with such a financial institution, such parties' ability to pay their obligations could be adversely affected. If this occurred we could be adversely impacted by not receiving the product we ordered or the payments generated by our sales, by not being able to receive products to our distribution center or our stores in a timely manner or at all, or by not being able to retain services from third parties that we require. These impacts may adversely affect our financial condition, results of operations and our ability to execute our business strategy. Furthermore, these adverse developments affecting the financial services or related perceptions may negatively impact our customers' discretionary income or our customers' willingness to purchase apparel, shoes or jewelry products. Any reduction in our customers' discretionary spending on our products could erode our sales volume and adversely affect our results of operations and financial condition.

***Extreme weather, natural disasters, impacts of climate change, public health threats or similar events have and may continue to adversely affect our sales or operations from time to time.***

Extreme changes in weather, natural disasters, physical impacts of climate change, public health threats or similar events can influence customer trends and shopping habits. For example, heavy rainfall or other extreme weather conditions, including but not limited to winter weather over a prolonged period, might make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season can render a portion of our inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions would adversely affect our business. The occurrence or threat of extreme weather, natural disasters, power outages, terrorist acts, outbreaks of flu or other communicable diseases (such as COVID-19) or other catastrophic events could reduce customer traffic in our stores and likewise disrupt our ability to conduct operations, which would materially and adversely affect us.

The long-term impacts of global climate change are expected to be unpredictable and widespread. The potential impacts of climate change present a variety of potential risks. The physical effects of climate change such as extreme weather and drought could adversely affect our results of operations, including disrupting our supply chain, the costs of our products and negatively impacting our workforce. In addition, the potential impacts of climate change present transition risks including regulatory and reputational risks. The potential cost of compliance with any future regulations may substantially increase our costs. For example, the use of certain commodities in the manufacture of our products and energy we use in our operations may face increased regulation due to climate change or other environmental concerns, which could increase our costs. Furthermore, any failure of or perceived failure by us to comply with any potential future climate change regulatory requirements including stakeholder expectations regarding the environment, could adversely affect our reputation and results of operations.

***Our ability to attract consumers and grow our revenues is dependent on the success of our store location strategy and our ability to successfully open new stores as planned.***

Our sales are dependent in part on the location of our stores in shopping centers and malls where we believe our consumers and potential consumers shop. In addition, our ability to grow our revenues has been substantially dependent on our ability to secure space for and open new stores in attractive locations. Shopping centers and malls where we currently operate existing stores or seek to open new stores have been and may continue to be adversely affected by, among other things, general economic downturns or those particularly affecting the commercial real estate industry, the closing of anchor stores, changes in tenant mix and changes in customer shopping preferences, including but not limited to an increase in preference for online versus in-person shopping. To take advantage of consumer traffic and the shopping preferences of our consumers, we need to maintain and acquire stores in desirable locations where competition for suitable store locations is intense. A decline in customer popularity of the strip shopping centers where we generally locate our stores or in availability of space in desirable centers and locations, or an increase in the cost of such desired space, has limited and could further limit our ability to open new stores, adversely affecting consumer traffic and reducing our sales and net earnings or increasing our operating costs.

Our ability to open and operate new stores depends on many factors, some of which are beyond our control. These factors include, but are not limited to, our ability to identify suitable store locations, negotiate acceptable lease terms, secure necessary governmental permits and approvals and hire and train appropriate store personnel. In addition, our continued expansion into new regions of the country where we have not done business before may present new challenges in competition, distribution and merchandising as we enter these new markets. Our failure to successfully and timely execute our plans for opening new stores or the failure of these stores to perform up to our expectations could adversely affect our business, results of operations and financial condition.

***If we are unable to anticipate, identify and respond to rapidly changing fashion trends and customer demands in a timely manner, our business and results of operations could materially suffer.***

Customer tastes and fashion trends, particularly for women's apparel, are volatile, tend to change rapidly and cannot be predicted with certainty. Our success depends in part upon our ability to consistently anticipate, design and respond to changing merchandise trends and consumer preferences in a timely manner. Accordingly, any failure by us to anticipate, identify, design and respond to changing fashion trends could adversely affect consumer acceptance of our merchandise, which in turn could adversely affect our business, results of operations and our image with our customers. If we miscalculate either the market for our merchandise or our customers' tastes or purchasing habits, we may be required to sell a significant amount of inventory at below-average markups over cost, or below cost, which would adversely affect our margins and results of operations.

***The inability of third-party vendors to produce goods on time and to the Company's specification may adversely affect the Company's business, results of operations and financial condition.***

Our dependence on third-party vendors to manufacture and supply our merchandise subjects us to numerous risks that our vendors will fail to perform as we expect. For example, the deterioration in any of our key vendors' financial condition, their failure to ship merchandise in a timely manner that meets our specifications, or other failures to follow our vendor guidelines or comply with applicable laws and regulations, including compliant labor, environmental practices and product safety, could expose us to operational, quality, competitive, reputational and legal risks. If we are not able to timely or adequately replace the merchandise we currently source with merchandise produced elsewhere, or if our vendors fail to perform as we expect, our business, results of operations and financial condition could be adversely affected. Activities conducted by us or on our behalf outside the United States further subject us to numerous U.S. and international regulations and compliance risks, as discussed below under "Risk Factors – Risks Relating to Accounting and Legal Matters - Our business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could

result in increased costs or liabilities, divert our management's attention or otherwise adversely affect our business, results of operations and financial condition."

***Existing and increased competition in the women's retail apparel industry may negatively impact our business, results of operations, financial condition and market share.***

The women's retail apparel industry is highly competitive. We compete primarily with discount stores, mass merchandisers, department stores, off-price retailers, specialty stores and internet-based retailers, many of which have substantially greater financial, marketing and other resources than we have. Many of our competitors offer frequent promotions and reduce their selling prices. In some cases, our competitors are expanding into markets in which we have a significant market presence. In addition, our competitors also compete for the same retail store space. As a result of this competition, we may experience pricing pressures, increased marketing expenditures, increased costs to open new stores, as well as loss of market share, which could materially and adversely affect our business, results of operations and financial condition.

***Our inability to effectively manage inventory has impacted and may continue to negatively impact our gross margin and our overall results of operations.***

Factors affecting sales include fashion trends, customer preferences, calendar and holiday shifts, competition, weather, supply chain issues, actual or potential public health threats and economic conditions, including but not limited to continued high interest rates and persistent inflation. In addition, merchandise must be ordered well in advance of the applicable selling season and before trends are confirmed by sales. If we are not able to accurately predict customers' preferences for our fashion items, we may have too much inventory, which may cause excessive markdowns. If we are unable to accurately predict demand for our merchandise, we may end up with inventory shortages, resulting in missed sales. Our inability to effectively manage inventory may adversely affect our gross margin and results of operations.

***Failure to attract, train, and retain skilled personnel could adversely affect our business and our financial condition.***

Like most retailers, we experience significant associate turnover rates, particularly among store sales associates and managers. Moreover, attracting and retaining skilled personnel has become increasingly challenging in the tight labor market that has persisted since the onset of the COVID-19 pandemic. To offset this turnover as well as support new store growth, we must continually attract, hire and train new store associates to meet our staffing needs. A significant increase in the turnover rate among our store sales associates and managers would increase our recruiting and training costs, as well as possibly cause a decrease in our store operating efficiency and productivity. We compete for qualified store associates, as well as experienced management personnel, with other companies in our industry or other industries, many of whom have greater financial resources than we do.

In addition, we depend on key management personnel to oversee the operational divisions of the Company for the support of our existing business and future expansion. The success of executing our business strategy depends in large part on retaining key management. We compete for key management personnel with other retailers, and our inability to attract and retain qualified personnel could limit our ability to continue to grow.

If we are unable to retain our key management and store associates or attract, train, or retain other skilled personnel in the future, we may not be able to service our customers effectively or execute our business strategy, which could adversely affect our business, operating results and financial condition.

The currently competitive environment for hiring new associates and retaining existing associates is causing wages to increase, which has affected and could continue to adversely affect our business, margins, operating results and financial condition if we cannot offset these cost increases.

***Fluctuations in the price, availability and quality of inventory have and may continue to result in higher cost of goods, which the Company may not be able to pass on to its customers.***

The price and availability of raw materials may be impacted by demand, regulation, weather and crop yields, currency value fluctuations, inflation, as well as other factors. Additionally, manufacturers have and may continue to have increases in other manufacturing costs, such as transportation, labor and benefit costs. These increases in production costs may result in higher merchandise costs to the Company. Due to the Company's limited flexibility in price point, the Company may not be able to pass on those cost increases to the consumer, which could have a material adverse effect on our margins, results of operations and financial condition.

***If the Company is unable to successfully integrate new businesses into its existing business, the Company's financial condition and results of operations will be adversely affected.***

The Company's long-term business strategy includes opportunistic growth through the development of new store concepts. This growth may require significant capital expenditures and management attention. The Company may not realize any of the anticipated benefits of a new business and integration costs may exceed anticipated amounts. We have incurred substantial financial commitments and fixed costs related to our retail stores that we will not be able to recover if our stores are not successful and that have resulted in and could result in future impairment charges. If we cannot successfully execute our growth strategies, our financial condition and results of operations may be adversely impacted.

#### **Risks Relating to Our Information Technology, Related Systems and Cybersecurity:**

***A failure or disruption relating to our information technology systems could adversely affect our business.***

We rely on our existing information technology systems for merchandise operations, including merchandise planning, replenishment, pricing, ordering, markdowns and product life cycle management. In addition to merchandise operations, we utilize our information technology systems for our distribution processes, as well as our financial systems, including accounts payable, general ledger, accounts receivable, sales, banking, inventory and fixed assets. Despite the precautions we take, our information systems are or may be vulnerable to disruption or failure from numerous events, including but not limited to, natural disasters, severe weather conditions, power outages, technical malfunctions, cyberattacks, acts of war or terrorism, similar catastrophic events or other causes beyond our control or that we fail to anticipate. Any disruption or failure in the operation of our information technology systems, our failure to continue to upgrade or improve such systems, or the cost associated with maintaining, repairing or improving these systems, could adversely affect our business, results of operations and financial condition. Modifications and/or upgrades to our current information technology systems may also disrupt our operations.

***A security breach that results in unauthorized access to or disclosure of employee, Company or customer information or a ransomware attack could adversely affect our costs, reputation and results of operations, and efforts to mitigate these risks may continue to increase our costs.***

The protection of employee, Company and customer data is critical to the Company. Any security breach, mishandling, human or programming error or other event that results in the misappropriation, loss or other unauthorized disclosure of employee, Company or customer information, including but not limited to credit card data or other personally identifiable information, could severely damage the



Company's reputation, expose it to remediation and other costs and the risks of legal proceedings, disrupt its operations and otherwise adversely affect the Company's business and financial condition. The security of certain of this information also depends on the ability of third-party service providers, such as those we use to process credit and debit card payments as described below under "We are subject to payment-related risks," to properly handle and protect such information. Our information systems and those of our third-party service providers are subject to ongoing and persistent cybersecurity threats from those seeking unauthorized access through means which are continually evolving and may be difficult to anticipate or detect for long periods of time. Despite measures the Company takes to protect confidential information against unauthorized access or disclosure, which measures are ongoing and may continue to increase our costs, there is no assurance that such measures will prevent the compromise of such information. If our measures are unsuccessful due to cyberattacks or otherwise, it could have a material adverse effect on the Company's reputation, business, operating results, financial condition and cash flows. In addition, the Company may be subject to ransomware attacks, which if successful could result in disruptions to the Company's operations and expose it to remediation and other costs, risks of legal proceedings, damage the Company's reputation and otherwise adversely affect the Company's business and financial condition.

***A disruption or shutdown of our centralized distribution center or transportation network could materially and adversely affect our business and results of operations.***

The distribution of our products is centralized in one distribution center in Charlotte, North Carolina and distributed through our network of third-party freight carriers. The merchandise we purchase is shipped directly to our distribution center, where it is prepared for shipment to the appropriate stores and subsequently delivered to the stores by our third-party freight carriers. If the distribution center or our third-party freight carriers were to be shut down or lose significant capacity for any reason, including but not limited to, any of the causes described above under "A failure or disruption relating to our information technology systems could adversely affect our business," our operations would likely be seriously disrupted. Such problems could occur as the result of any loss, destruction or impairment of our ability to use our distribution center, as well as any broader problem generally affecting the ability to ship goods into our distribution center or deliver goods to our stores. As a result, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores during the time it takes for us to reopen or replace the distribution center and/or our transportation network. Any such occurrence could adversely affect our business, results of operations and financial condition.

***The Company's failure to successfully operate its e-commerce websites or fulfill customer expectations could adversely impact customer satisfaction, our reputation and our business.***

Although the Company's e-commerce platform provides another channel to drive incremental sales, provide existing customers the online shopping experience and introduce the Company to a new customer base, it also exposes us to numerous risks. We are subject to potential failures in the efficient and uninterrupted operation of our websites, customer contact center or our distribution center, including system failures caused by telecommunication system providers, order volumes that exceed our present system capabilities, electrical outages, mechanical problems and human error. Our e-commerce platform may also expose us to greater potential for security or data breaches involving the unauthorized access to or disclosure of customer information, as discussed above under "A security breach that results in unauthorized access to or disclosure of employee, Company or customer information or a ransomware attack could adversely affect our costs, reputation and results of operations, and efforts to mitigate these risks may continue to increase our costs." We are also subject to risk related to delays or failures in the performance of third parties, such as shipping companies, including delays associated with labor strikes or slowdowns or adverse weather conditions. If the Company does not successfully meet the challenges of operating e-commerce websites or fulfilling customer expectations, the Company's business and sales could be adversely affected.

***We are subject to payment-related risks.***

We accept payments using a variety of methods, including third-party credit cards, our own branded credit card, debit cards, gift cards and physical and electronic bank checks. For existing and future payment methods we offer to our customers, we are subject to fraud risk and to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in increased costs and reduce the ease of use of certain payment methods). For certain payment methods, including credit and debit cards, we pay interchange and other fees, which have increased from time to time and may continue to increase over time, raising our operating costs and lowering profitability. We rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In each case, it could disrupt our business if these third-party service providers become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card-issuing banks' costs, subject to fines and higher transaction fees. In addition, we may lose our ability to accept credit and debit card payments from our customers and process electronic funds transfers or facilitate other types of payments, and our business and operating results could be adversely affected.

**Risks Relating to Accounting and Legal Matters:**

***Continued scrutiny and changing expectations surrounding environmental, social and governance (“ESG”) matters from investors, customers, government regulators and other stakeholders may impose additional reporting requirements, additional costs and compliance risks.***

Public companies from across all industries are facing increasing scrutiny from investors, customers, government regulators and other stakeholders concerning ESG matters. In the U.S., there are various new rules or proposals for new or enhanced disclosure requirements regarding climate emissions, sustainability, workforce diversity and other human capital resources metrics, among other topics. Complying with these complex reporting obligations or expectations may increase our costs associated with compliance, disclosure and reporting. Furthermore, evolving ESG laws, regulations and stakeholder expectations may result in uncertain and potentially burdensome reporting requirements as stakeholders, agencies and government authorities adjust their expectations or change laws and regulations, such as the new rules regarding climate emissions reporting and auditing requirements. Failure to comply with all of the new rules and regulations and proposed regulatory requirements in a timely manner may adversely affect our reputation, business and financial performance.

***Changes to accounting rules and regulations may adversely affect our reported results of operations and financial condition.***

U.S. Generally Accepted Accounting Principles and SEC accounting, disclosures and reporting changes are common and have become more frequent and significant in the past several years. Changes in accounting rules, disclosures or regulations and varying interpretations of existing accounting rules, disclosures and regulations have significantly affected our reported financial statements and those of other participants in the retail industry in the past and may continue to do so in the future. Future changes to accounting rules, disclosures or regulations may adversely affect our reported results of operations and financial position or perceptions of our performance and financial condition.

***If we fail to protect our trademarks and other intellectual property rights or infringe the intellectual property rights of others, our business, brand image, growth strategy, results of operations and financial condition could be adversely affected.***

We believe that our “Cato”, “It’s Fashion”, “It’s Fashion Metro”, “Versona”, “Cache” and “Body Central” trademarks are integral to our store designs, brand recognition and our ability to successfully build consumer loyalty. Although we have registered these trademarks with the U.S. Patent and Trademark Office (“PTO”) and have also registered, or applied for registration of, additional trademarks with the PTO that we believe are important to our business, we cannot give assurance that these registrations will prevent imitation of our trademarks, merchandising concepts, store designs or private label merchandise or the infringement of our other intellectual property rights by others. Infringement of our names, concepts, store designs or merchandise generally, or particularly in a manner that projects lesser quality or carries a negative connotation of our image could adversely affect our business, financial condition and results of operations.

In addition, we cannot give assurance that others will not try to block the manufacture or sale of our private label merchandise by claiming that our merchandise violates their trademarks or other proprietary rights. In the event of such a conflict, we could be subject to lawsuits or other actions, the ultimate resolution of which we cannot predict; however, such a controversy could adversely affect our business, financial condition and results of operations.

***Our business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could result in increased costs or liabilities, divert our management’s attention or otherwise adversely affect our business, results of operations and financial condition.***

Our operations are subject to federal, state and local laws, rules and regulations, as well as U.S. and foreign laws and regulations relating to our activities in foreign countries from which we source our merchandise and operate our sourcing offices. Our business is also subject to regulatory and litigation risk in all of these jurisdictions, including foreign jurisdictions that may lack well-established or reliable legal systems for resolving legal disputes. Compliance risks and litigation claims have arisen and may continue to arise in the ordinary course of our business and include, among other issues, intellectual property issues, employment issues, commercial disputes, product-oriented matters, tax, customer relations and personal injury claims. International activities subject us to numerous U.S. and international regulations, including but not limited to, restrictions on trade, license and permit requirements, import and export license requirements, privacy and data protection laws, environmental laws, records and information management regulations, tariffs and taxes and anti-corruption laws, such as the Foreign Corrupt Practices Act, violations of which by employees or persons acting on the Company’s behalf may result in significant investigation costs, severe criminal or civil sanctions and reputational harm. These and other liabilities to which we may be subject could negatively affect our business, operating results and financial condition. These matters frequently raise complex factual and legal issues, which are subject to risks and uncertainties and could divert significant management time. The Company may also be subject to regulatory review and audits, the results of which could materially and adversely affect our business, results of operations and financial condition. In addition, governing laws, rules and regulations, and interpretations of existing laws are subject to change from time to time. Compliance and litigation matters could result in unexpected expenses and liability, as well as have an adverse effect on our operations and our reputation.

New legislation or regulation and interpretation of existing laws and regulations, including those related to data privacy, climate change or ESG matters could increase our costs of compliance, technology and business operations. The interpretation of existing or new laws to existing technology and business practices can be uncertain and may lead to additional compliance risk and cost.

***Adverse litigation matters may adversely affect our business and our financial condition.***

From time to time the Company is involved in litigation and other claims against our business. Primarily these arise in the normal course of business but are subject to risks and uncertainties, and could

require significant management time. The Company's periodic evaluation of litigation-related matters may change our assessment in light of the discovery of facts with respect to legal actions pending against us, not presently known to us or by determination of judges, juries or other finders of fact. We may also be subjected to legal matters not yet known to us. Adverse decisions or settlements of disputes may negatively impact our business, reputation and financial condition.

***Maintaining and improving our internal control over financial reporting and other requirements necessary to operate as a public company may strain our resources, and any material failure in these controls may negatively impact our business, the price of our common stock and market confidence in our reported financial information.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the rules of the SEC and New York Stock Exchange and certain aspects of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and related rule-making that has been and may continue to be implemented over the next several years under the mandates of the Dodd-Frank Act. The requirements of these rules and regulations have increased, and may continue to increase, our compliance costs and place significant strain on our personnel, systems and resources. To satisfy the SEC's rules implementing the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we must continue to document, test, monitor and enhance our internal control over financial reporting, which is a costly and time-consuming effort that must be re-evaluated frequently. We cannot give assurance that our disclosure controls and procedures and our internal control over financial reporting, as defined by applicable SEC rules, will be adequate in the future. Any failure to maintain the effectiveness of internal control over financial reporting or to comply with the other various laws and regulations to which we are and will continue to be subject, or to which we may become subject in the future, as a public company could have an adverse material impact on our business, our financial condition and the price of our common stock. In addition, our efforts to comply with these existing and new requirements could significantly increase our compliance costs.

#### **Risks Relating to Our Investments and Liquidity:**

***We may experience market conditions or other events that could adversely impact the valuation and liquidity of, and our ability to access, our short-term investments, cash and cash equivalents and our revolving line of credit.***

Our short-term investments and cash equivalents are primarily comprised of investments in federal, state, municipal and corporate debt securities. The value of those securities may be adversely impacted by factors relating to these securities, similar securities or the broader credit markets in general. Many of these factors are beyond our control, and include but are not limited to changes to credit ratings, rates of default, collateral value, discount rates, and strength and quality of market credit and liquidity, potential disruptions in the capital markets and changes in the underlying economic, financial and other conditions that drive these factors. As federal, state and municipal entities struggle with declining tax revenues and budget deficits, we cannot be assured of our ability to timely access these investments if the market for these issues declines. Similarly, the default by issuers of the debt securities we hold or similar securities could impair the value or liquidity of our investments. The development or persistence of any of these conditions could adversely affect our financial condition, results of operations and ability to execute our business strategy. In addition, we have significant amounts of cash and cash equivalents at financial institutions that are in excess of the federally insured limits. An economic downturn or development of adverse conditions affecting the financial sector and stability of financial institutions could cause us to experience losses on our deposits.

Our ability to access credit markets and our revolving line of credit, either generally or on favorable market terms, may be impacted by the factors discussed in the preceding paragraph, as well as continued compliance with covenants under our revolving credit agreement. The development or persistence of any

of these adverse factors or failure to comply with covenants on which our borrowing is conditioned may adversely affect our financial condition, results of operations and our ability to access our revolving line of credit and to execute our business strategy.

**Risks Relating to the Market Value of Our Common Stock:**

***The interests of our principal shareholder may limit the ability of other shareholders to influence the direction of the Company and otherwise affect our corporate governance and the market price of our common stock.***

As of March 27, 2024, John P. D. Cato, Chairman, President and Chief Executive Officer, beneficially owned approximately 51.9% of the combined voting power of our common stock. As a result, Mr. Cato has the ability to substantially influence or determine the outcome of all matters requiring approval by the shareholders, including the election of directors and the approval of mergers and other business combinations or other significant Company transactions. Mr. Cato may have interests that differ from those of other shareholders, and may vote in a way with which other shareholders disagree or perceive as adverse to their interests. The concentration of voting power held by Mr. Cato could discourage potential investors from acquiring our common stock and could also have the effect of preventing, discouraging or deferring a change in control of the Company or other fundamental transaction, all of which could depress the market price of our common stock. In addition, Mr. Cato has the ability to control the management of the Company as a result of his position as Chief Executive Officer. We qualify for exemption as a “controlled company” from compliance with certain New York Stock Exchange corporate governance rules, including the requirements that we have a majority of independent directors on our Board, an independent compensation committee and an independent corporate governance and nominating committee. If we elected to utilize these “controlled company” exceptions, our other shareholders could lose the benefit of these corporate governance requirements and the market value of our common stock could be adversely affected.

***There can be no assurance that we will choose to declare or be able to declare cash dividends in the future.***

The declaration and payment of any dividend is subject to the approval of our Board of Directors. Our Board of Directors regularly evaluates our ability to pay a dividend based on many factors, such as but not limited to, applicable legal requirements, the financial position of the Company, contractual restrictions and our capital allocation strategy. There can be no assurance that a cash dividend will be declared in the future in any particular amount, or at all.

***Our operating results are subject to seasonal and quarterly fluctuations, which could adversely affect the market price of our common stock.***

Our business varies with general seasonal trends that are characteristic of the retail apparel industry. As a result, our stores typically generate a higher percentage of our annual net sales and profitability in the first and second quarters of our fiscal year compared to other quarters. Accordingly, our operating results for any one fiscal period are not necessarily indicative of results to be expected from any future period, and such seasonal and quarterly fluctuations could adversely affect the market price of our common stock.

***Conditions in the stock market generally, or particularly relating to our industry, Company or common stock, may materially and adversely affect the market price of our common stock and make its trading price more volatile.***

The trading price of our common stock at times has been, and is likely to continue to be, subject to significant volatility. A variety of factors may cause the price of our common stock to fluctuate, perhaps

substantially, including, but not limited to, those discussed elsewhere in this report, as well as the following: low trading volume; general market fluctuations resulting from factors not directly related to our operations or the inherent value of our common stock; announcements of developments related to our business; fluctuations in our reported operating results; general conditions or trends affecting or perceived to affect the fashion and retail industry; conditions or trends affecting or perceived to affect the domestic or global economy or the domestic or global credit or capital markets; changes in financial estimates or the scope of coverage given to our Company by securities analysts; negative commentary regarding our Company and corresponding short-selling market behavior; adverse customer relations developments; significant changes in our senior management team; and legal proceedings. Over the past several years the stock market in general, and the market for shares of equity securities of many retailers in particular, have experienced extreme price fluctuations that have at times been unrelated to the operating performance of those companies. Such fluctuations and market volatility based on these or other factors may materially and adversely affect the market price of our common stock.

**Item 1B. *Unresolved Staff Comments:***

None.

**Item 1C. *Cybersecurity:***

**Risk Management Strategy**

We recognize the importance of effectively managing cybersecurity risk in protecting our business, customers and employees, and we manage cybersecurity risk as part of our overall risk management system and compliance processes. We maintain a process designed to identify, assess and manage material risks from cybersecurity threats, including risks relating to theft of customer data, primarily payment cards, disruption to business operations or financial reporting systems, fraud, extortion, harm to employee data and violation of privacy laws. In recent years, we have increased our investments in cybersecurity risk management within our environment and have developed an enterprise cybersecurity program designed to detect, identify, classify and mitigate cybersecurity and other data security threats. This program classifies potential threats by risk levels, and we typically prioritize our threat mitigation efforts based on those risk classifications. In the event we identify a potential cybersecurity, privacy or other data security issue, we have defined procedures for responding to such issues, including procedures that address when and how to engage with Company executives, our Board of Directors, other stakeholders and law enforcement when responding to such issues. Additionally, various aspects of our cybersecurity program, particularly compliance with the Payment Card Industry standards, are regularly reviewed by independent third parties. We also maintain cybersecurity insurance, which we believe to be commensurate with our size and the nature of our operations, as part of our comprehensive insurance portfolio.

We utilize third-party intrusion detection and prevention systems and vulnerability and penetration testing to monitor our environment. We also use third-party software to test our employees' responses to suspicious emails and to inform targeted cyber awareness training. Our information security and privacy policies are informed by regulatory requirements and are reviewed periodically for compliance and alignment with current state and federal laws and regulations. We comply with applicable industry security standards, including the Payment Card Industry Data Security Standard ("PCI DSS"). Because we are aware of the risks associated with third-party service providers, we also have implemented processes to oversee and manage these risks. We conduct security assessments of third-party providers before engagement and maintain ongoing monitoring to help ensure compliance with our cybersecurity standards.

Additionally, we maintain a cybersecurity incident response plan, which is reviewed regularly, and provides a framework for handling and escalating cybersecurity incidents based on the severity of the incident and facilitates cross-functional coordination across the Company.

Through the processes described above, we did not identify risks during the year ended February 3, 2024 from current or past cybersecurity threats or cybersecurity incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, we face ongoing risks from certain cybersecurity threats that, if realized, are reasonably likely to materially affect our business strategy, results of operations, or financial condition. See the risk factors discussed under the heading, “Risk Factors — Risks Relating to Our Information Technology, Related Systems and Cybersecurity” for further information.

## **Governance**

Our Board of Directors recognizes the important roles that information security and mitigating cybersecurity and other data security threats play in our efforts to protect and maintain the confidentiality and security of customer, employee and vendor information, as well as non-public information about our Company. Although the Board as a whole is ultimately responsible for the oversight of our risk management function, the Board has delegated to its Audit Committee primary responsibility for oversight of risk assessment and risk management, including risks related to cybersecurity and other technology issues. The Audit Committee also oversees the Company’s internal control over financial reporting, including with respect to financial reporting-related information systems. The Chief Financial Officer (CFO) and Chief Accounting Officer (CAO) meet regularly with the Audit Committee and Board of Directors.

The Audit Committee reviews quarterly our cybersecurity activities, including review of annual external assessment results, training results, and discussion of cybersecurity risks and resolutions, and is responsible for elevating significant matters to the Board as events arise. The Audit Committee receives reports from our Chief Information Officer (CIO) annually regarding our cybersecurity framework, as well as our plans to mitigate cybersecurity risks and respond to any data breaches.

From a management perspective, our enterprise cybersecurity is overseen by our cybersecurity committee, which is chaired by our CFO and includes our CAO, CIO, Chief Information Security Officer (CISO), as well as key members of financial management, information technology and audit. Our cybersecurity infrastructure is overseen by our CISO, who reports to our CIO. Our CIO reports to our CFO and has served in various roles in information technology and information security for over 30 years.

## **Item 2. *Properties:***

The Company’s distribution center and general offices are located in a Company-owned building of approximately 552,000 square feet located on a 15-acre tract in Charlotte, North Carolina. The Company’s automated merchandise handling and distribution activities occupy approximately 418,000 square feet of this building and its general offices and corporate training center are located in the remaining 134,000 square feet. A building of approximately 24,000 square feet located on a 2-acre tract adjacent to the Company’s existing location is used for e-commerce storage. The Company also owns approximately 185 acres of land in York County, South Carolina as a potential new site for our distribution center.

**Item 3. *Legal Proceedings:***

From time to time, claims are asserted against the Company arising out of operations in the ordinary course of business. The Company currently is not a party to any pending litigation that it believes is likely to have a material adverse effect on the Company's financial position, results of operations or cash flows. See Note 15, "Commitments and Contingencies," for more information.



**Item 3A. Executive Officers of the Registrant:**

The executive officers of the Company and their ages as of March 27, 2024 are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John P. D. Cato.....	73	Chairman, President and Chief Executive Officer
Charles D. Knight.....	59	Executive Vice President, Chief Financial Officer
Gordon Smith.....	68	Executive Vice President, Chief Real Estate and Store Development Officer

*John P. D. Cato* has been employed as an officer of the Company since 1981 and has been a director of the Company since 1986. Since January 2004, he has served as Chairman, President and Chief Executive Officer. From May 1999 to January 2004, he served as President, Vice Chairman of the Board and Chief Executive Officer. From June 1997 to May 1999, he served as President, Vice Chairman of the Board and Chief Operating Officer. From August 1996 to June 1997, he served as Vice Chairman of the Board and Chief Operating Officer. From 1989 to 1996, he managed the Company's off-price concept, serving as Executive Vice President and as President and General Manager of the It's Fashion concept from 1993 to August 1996. Mr. Cato is a former director of Harris Teeter Supermarkets, Inc., formerly Ruddick Corporation.

*Charles D. Knight* has been employed as Executive Vice President, Chief Financial Officer by the Company since January of 2022. From 2018 to 2020, he served in various roles with The Vitamin Shoppe, first as Senior Vice President, Chief Accounting Officer from 2018 to 2019, and then as Executive Vice President, Chief Financial Officer from 2019 to 2020. Prior to that, he served in various roles with Toys "R" Us for 28 years, including as Senior Vice President, Corporate Controller from 2010 to 2018.

*Gordon Smith* has been employed by the Company since 1989. Since July 2011, he has served as Executive Vice President, Chief Real Estate and Store Development Officer. From February 2008 until July 2011, Mr. Smith served as Senior Vice President, Real Estate. From October 1989 to February 2008, Mr. Smith served as Assistant Vice President, Corporate Real Estate.

**Item 4. Mine Safety Disclosures:**

No matters requiring disclosure.

## PART II

### **Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities:***

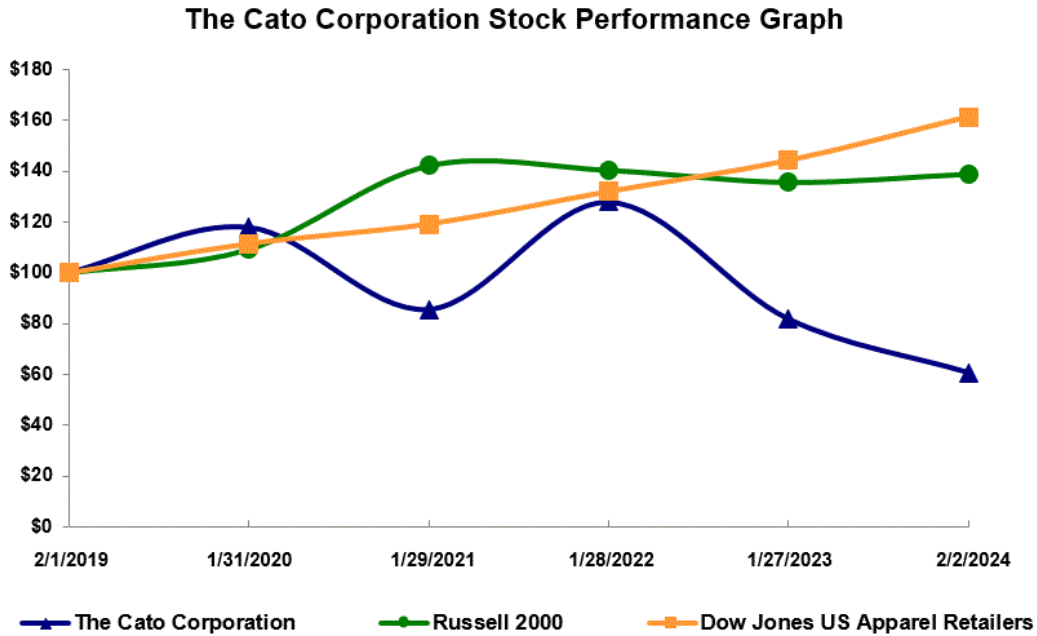
#### **Market & Dividend Information**

The Company's Class A Common Stock trades on the New York Stock Exchange ("NYSE") under the symbol CATO.

As of March 25, 2024, the approximate number of record holders of the Company's Class A Common Stock was 5,000 and there were 2 record holders of the Company's Class B Common Stock.

## Stock Performance Graph

The following graph compares the yearly change in the Company's cumulative total shareholder return on the Company's Common Stock (which includes Class A Stock and Class B Stock) for each of the Company's last five fiscal years with (i) the Dow Jones U.S. Retailers, Apparel Index and (ii) the Russell 2000 Index.



THE CATO CORPORATION  
STOCK PERFORMANCE TABLE  
(BASE 100 – IN DOLLARS)

LAST TRADING DAY OF THE FISCAL YEAR	THE CATO CORPORATION	DOW JONES U.S. RETAILERS, APPL INDEX	RUSSELL 2000 INDEX
2/1/2019	100	100	100
1/31/2020	118	111	109
1/29/2021	86	119	142
1/28/2022	128	132	140
1/27/2023	82	144	136
2/2/2024	61	161	139

The graph assumes an initial investment of \$100 on February 1, 2019, the last trading day prior to the commencement of the Company's 2019 fiscal year, and that all dividends were reinvested.

### Issuer Purchases of Equity Securities

The following table summarizes the Company's purchases of its common stock for the three months ended February 3, 2024:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share (1)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Plans or Programs (2)</u>
November 2023	-	\$ -	-	-
December 2023	-	-	-	-
January 2024	-	-	-	-
Total	-	\$ -	-	909,653

(1) Prices include trading costs.

(2) During the fourth quarter ended February 3, 2024, the Company did not repurchase or retire any shares under this program. As of February 3, 2024, the Company had 909,653 shares remaining in open authorizations. There is no specified expiration date for the Company's repurchase program.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:**

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. The following information should be read in conjunction with the Consolidated Financial Statements, including the accompanying Notes appearing in Part II, Item 8 of this annual report on Form 10-K. This section of the annual report on Form 10-K generally discusses fiscal 2023 and fiscal 2022 and year-to-year comparisons between fiscal 2023 and fiscal 2022, as well as certain fiscal 2021 items. Discussions of fiscal 2021 items and year-to-year comparisons between fiscal 2022 and fiscal 2021 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's annual report on Form 10-K for the fiscal year ended January 28, 2023.

**Recent Developments**

***Inflationary Cost Pressure and High Interest Rates***

Our customers' disposable income was negatively impacted by high interest rates and continued inflation related to fuel, food, housing, including rent, and other consumable products and a flattening of wage rates in 2023. The persistence of high interest rates and inflation negatively affected our customers' willingness to purchase discretionary items such as apparel, jewelry and shoes.

Though the Federal Reserve paused raising rates in the fall of 2023, it has indicated it is committed to maintaining interest rates at or near these elevated levels until inflation subsides to its targeted levels. These high interest rates have adversely affected the availability and cost of credit for both businesses and our customers. Increasing costs related to revolving credit, auto loans and mortgages continue to negatively impact our customers' discretionary income. Our customers' willingness to purchase our products may continue to be negatively impacted by these inflationary pressures and high interest rates.

We believe continued inflation and high interest rates negatively impacted fiscal 2023 and will likely continue to have a negative impact on consumer behavior and, by extension, our results of operations and financial condition during fiscal 2024.

***Merchandise Supply Chain***

A significant amount of our merchandise is manufactured overseas, principally Southeast Asia, and traverses through the Panama Canal or the Suez Canal. Due to a sustained regional drought, the Panama Canal has reduced the number of transits by approximately 37% and has also reduced the permissible draft of vessels transiting the Panama Canal, which reduces the volume and number of containers carried by container ships and increases our costs. The recent hostilities affecting the Red Sea and Suez Canal are causing container ships to travel a much longer distance around the Cape of Good Hope, which is increasing both lead times for merchandise during our key selling times and our costs to ship these goods. Both of these situations have negatively impacted 2023 and will likely continue to have a negative impact on our results of operations and financial condition during fiscal 2024.

## Results of Operations

The table below sets forth certain financial data of the Company expressed as a percentage of retail sales for the years indicated:

<u>Fiscal Year Ended</u>	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Retail sales .....	<b>100.0 %</b>	100.0 %
Other revenue.....	<b>1.1</b>	0.9
Total revenues .....	<b>101.1</b>	100.9
Cost of goods sold .....	<b>66.3</b>	67.7
Selling, general and administrative.....	<b>36.1</b>	32.3
Depreciation .....	<b>1.4</b>	1.5
Interest and other income .....	<b>0.7</b>	0.8
Income (loss) before income taxes .....	<b>(2.0)</b>	0.2
Net income (loss).....	<b>(3.4)%</b>	- %

### Fiscal 2023 Compared to Fiscal 2022

Retail sales decreased by 6.9% to \$700.3 million in fiscal 2023 compared to \$752.4 million in fiscal 2022. The decrease in retail sales in fiscal 2023 was primarily due to a 5.9% decrease in same-store sales and sales from closed stores in 2022 and stores closed in the first half of 2023, partially offset by an additional week of sales in 2023 and a small increase in sales from stores opened in 2023. Fiscal 2023 had 53 weeks versus 52 weeks in fiscal 2022. Same-store sales for the fiscal year 2023 decreased primarily due to lower transactions, partially offset by fewer returns and slightly higher average sales per transaction. Same-store sales includes stores that have been open more than 15 months. Stores that have been relocated or expanded are also included in the same-store sales calculation after they have been open more than 15 months. In fiscal 2023 and fiscal 2022, e-commerce sales were less than 5% and 6% of total sales and same-store sales, respectively. The method of calculating same-store sales varies across the retail industry. As a result, our same-store sales calculation may not be comparable to similarly titled measures reported by other companies. Total revenues, comprised of retail sales and other revenue (principally finance charges and late fees on customer accounts receivable, gift card breakage, shipping charges for e-commerce purchases and layaway fees), decreased by 6.7% to \$708.1 million in fiscal 2023 compared to \$759.3 million in fiscal 2022. The Company operated 1,178 stores at February 3, 2024 compared to 1,280 stores operated at January 28, 2023.

In fiscal 2023, the Company opened nine new stores and closed 111 stores.

Other revenue, a component of total revenues, increased to \$7.7 million in fiscal 2023 from \$6.9 million in fiscal 2022. The increase was due to increases in gift card breakage and finance charges associated with the Company's proprietary credit card, partially offset by decreases in e-commerce shipping revenue.

Credit revenue of \$2.6 million represented 0.4% of total revenue in fiscal 2023, a \$0.4 million increase compared to fiscal 2022 credit revenue of \$2.2 million or 0.3% of total revenue. The increase in credit revenue was primarily due to increases in finance charges and late fee income as a result of higher accounts receivable balances. Credit revenue is comprised of interest earned on the Company's private label credit card portfolio and related fee income. Related expenses include principally payroll, postage and other administrative expenses and totaled \$1.7 million in fiscal 2023 compared to \$1.7 million in fiscal 2022. See Note 13 to the Consolidated Financial Statements, "Reportable Segment Information" for a schedule of credit-related expenses. Total credit segment income before taxes was \$0.9 million in fiscal 2023 and \$0.6 million in fiscal 2022.

Cost of goods sold was \$464.3 million, or 66.3% of retail sales, in fiscal 2023 compared to \$509.7 million, or 67.7% of retail sales, in fiscal 2022. The decrease in cost of goods sold as a percentage of sales resulted primarily from lower ocean freight costs and increased sales of regular priced goods, partially offset by deleveraging of occupancy and buying costs. Cost of goods sold includes merchandise costs, net of discounts and allowances, buying costs, distribution costs, occupancy costs, and freight and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs. Buying and distribution costs include payroll, payroll-related costs and operating expenses for the buying departments and distribution center. Occupancy expenses include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Total gross margin dollars (retail sales less cost of goods sold and excluding depreciation) decreased by 2.8% to \$236.0 million in fiscal 2023 from \$242.7 million in fiscal 2022. Gross margin as presented may not be comparable to that of other companies.

Selling, general and administrative expenses (“SG&A”), which primarily include corporate and store payroll, related payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees were \$252.8 million in fiscal 2023 compared to \$242.6 million in fiscal 2022, an increase of 4.2%. As a percent of retail sales, SG&A was 36.1% compared to 32.3% in the prior year. The increase in SG&A expense in fiscal 2023 was primarily attributable to higher payroll, insurance and closed store expenses.

Depreciation expense was \$9.9 million in fiscal 2023 compared to \$11.1 million in fiscal 2022. Depreciation expense decreased from fiscal 2022 due to fully depreciated older stores and prior period impairments of leasehold improvements and fixtures, partially offset by store development and information technology expenditures.

Interest and other income decreased to \$5.1 million in fiscal 2023 compared to \$5.9 million in fiscal 2022. The decrease is primarily attributable to receiving a Business Recovery Grant from the State of North Carolina in fiscal 2022, partially offset by higher amounts earned on investments due to higher interest rates.

Income tax expense was \$10.1 million, or 1.4% of retail sales in fiscal 2023 compared to income tax expense of \$1.7 million, or 0.2% of retail sales in fiscal 2022. The income tax expense increase was primarily due to a valuation allowance recorded against U.S. federal and state deferred tax assets due to a pre-tax loss, partially offset by foreign rate differential. The effective tax rate was (73.5%) (Expense) in fiscal 2023 compared to 98.4% (Expense) in fiscal 2022. See Note 12 to the Consolidated Financial Statements, “Income Taxes,” for further details.

#### **Off-Balance Sheet Arrangements**

None.

#### **Critical Accounting Policies and Estimates**

The Company’s accounting policies are more fully described in Note 1 to the Consolidated Financial Statements. As disclosed in Note 1 to the Consolidated Financial Statements, the preparation of the Company’s financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company’s financial statements include the calculation of potential asset impairment, income tax valuation allowances, reserves relating to self-insured health insurance, workers’

compensation, general and auto insurance liabilities, uncertain tax positions, the allowance for customer credit losses, and inventory shrinkage.

The Company's critical accounting policies and estimates are discussed with the Audit Committee.

#### ***Allowance for Customer Credit Losses***

The Company evaluates the collectability of customer accounts receivable and records an allowance for customer credit losses based on the accounts receivable aging and estimates of actual write-offs. The allowance is reviewed for adequacy and adjusted, as necessary, on a quarterly basis. The Company also provides for estimated uncollectible late fees charged based on historical write-offs. The Company's financial results can be impacted by changes in customer loss write-off experience and the aging of the accounts receivable portfolio.

#### ***Merchandise Inventories***

The Company's inventory is valued using the weighted-average cost method and is stated at the net realizable value. Physical inventories are conducted throughout the year to calculate actual shrinkage and inventory on hand. Estimates based on actual shrinkage results are used to estimate inventory shrinkage, which is accrued for the period between the last physical inventory and the financial reporting date. The Company regularly reviews its inventory levels to identify slow moving merchandise and uses markdowns to clear slow moving inventory.

#### ***Lease Accounting***

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for stores, offices, warehouse space and equipment. Its leases have remaining lease terms of one year to 10 years, some of which include options to extend the lease term for up to five years, and some of which include options to terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at commencement date of the lease in determining the present value of lease payments. See Note 11 to the Consolidated Financial Statements, "Leases" for further information.

#### ***Impairment of Long-Lived Assets***

The Company invests in leaseholds, right-of use assets and equipment primarily in connection with the opening and remodeling of stores and in computer software and hardware. The Company periodically reviews its store locations and estimates the recoverability of its long-lived assets, which primarily relate to Fixtures and equipment, Leasehold improvements, Right-of-use assets net of Lease liabilities and Information technology equipment and software. An impairment charge is recorded for the amount by which the carrying value exceeds the estimated fair value when the Company determines that projected cash flows associated with those long-lived assets will not be sufficient to recover the carrying value. This determination is based on a number of factors, including the store's historical operating results and future projected cash flows, which include contribution margin projections. The Company assesses the fair value of each lease by considering market rents and any lease terms that may adjust market rents under certain conditions, such as the loss of an anchor tenant or a leased space in a shopping center not meeting certain criteria. Further, in determining when to close a store, the Company considers real estate development in the area and perceived local market conditions, which can be difficult to predict and may be subject to change.



### ***Insurance Liabilities***

The Company is primarily self-insured for healthcare, workers' compensation and general liability costs. These costs are significant primarily due to the large number of the Company's retail locations and associates. The Company's self-insurance liabilities are based on the total estimated costs of claims filed and estimates of claims incurred but not reported, less amounts paid against such claims, and are not discounted. Management reviews current and historical claims data in developing its estimates. The Company also uses information provided by outside actuaries with respect to healthcare, workers' compensation and general liability claims. If the underlying facts and circumstances of the claims change or the historical experience upon which insurance provisions are recorded is not indicative of future trends, then the Company may be required to make adjustments to the provision for insurance costs that could be material to the Company's reported financial condition and results of operations. Historically, actual results have not significantly deviated from estimates.

### ***Uncertain Tax Positions***

The Company records liabilities for uncertain tax positions primarily related to state income taxes as of the balance sheet date. These liabilities reflect the Company's best estimate of its ultimate income tax liability based on the tax codes, regulations, and pronouncements of the jurisdictions in which we do business. Estimating our ultimate tax liability involves significant judgments regarding the application of complex tax regulations across many jurisdictions. Despite the Company's belief that the estimates and judgments are reasonable, differences between the estimated and actual tax liabilities can and do exist from time to time. These differences may arise from settlements of tax audits, expiration of the statute of limitations, and the evolution and application of the various jurisdictional tax codes and regulations. Any differences will be recorded in the period in which they become known and could have a material effect on the results of operations in the period the adjustment is recorded.

### ***Deferred Tax Valuation Allowance***

The Company assesses the likelihood that deferred tax assets will be realized in light of the Company's current financial performance and projected future financial performance. Based on this assessment, the Company then determines if a valuation allowance should be recorded. If the Company concludes that it is more likely than not that the Company will not be able to realize its tax deferred assets, a valuation allowance is recorded for the proportion of the deferred tax asset it determines may not be realized.

### **Liquidity, Capital Resources and Market Risk**

The Company believes that its cash, cash equivalents and short-term investments, together with cash flows from operations, will be adequate to fund the Company's regular operating requirements, including \$66.9 million of lease obligations and planned investments of \$8.7 million of capital expenditures, for fiscal 2024 and for the foreseeable future.

Cash provided by operating activities during fiscal 2023 was \$0.5 million as compared to \$13.4 million in fiscal 2022 and \$59.8 in fiscal 2021. Cash provided by operating activities during 2023 was primarily attributable to net income adjusted for depreciation, share-based compensation, impairment and changes in working capital. The decrease of \$12.9 million for fiscal 2023 compared to fiscal 2022 is primarily due to lower net operating income partially offset by a decrease in merchandise inventories and deferred taxes.

At February 3, 2024, the Company had working capital of \$55.1 million compared to \$74.7 million and \$111.5 million at January 28, 2023 and January 29, 2022, respectively. The decrease in working

capital compared to the prior year is primarily due to lower short-term investments and lower inventory, partially offset by lower accounts payable and current lease liability.

At February 3, 2024, the Company had an unsecured revolving credit agreement, which provided for borrowings of up to \$35.0 million less the balance of any revocable letters of credit related to purchase commitments, and was committed through May 2027. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of February 3, 2024. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, under this credit facility as of the fiscal year ended February 3, 2024 or the fiscal year ended January 28, 2023.

The Company had no outstanding revocable letters of credit relating to purchase commitments at February 3, 2024 or at January 28, 2023.

Expenditures for property and equipment totaled \$12.5 million, \$19.4 million and \$4.1 million in fiscal 2023, 2022 and 2021, respectively. The expenditures for fiscal 2023 were primarily for additional investments in nine new stores, our distribution center and information technology.

Net cash provided by investing activities totaled \$19.8 million for fiscal 2023 compared to \$16.0 million provided in fiscal 2022 and \$25.3 million used in fiscal 2021. In fiscal 2023, the cash provided was primarily attributable to the net sales of short-term investments, partially offset by expenditures for property and equipment.

Net cash used in financing activities totaled \$16.1 million in fiscal 2023 compared to net cash used of \$29.3 million for fiscal 2022 and \$31.8 million for fiscal 2021. The decrease in cash used during fiscal 2023 was primarily due to lower share repurchase amounts.

The Company does not use derivative financial instruments.

See Note 4 to the Consolidated Financial Statements, "Fair Value Measurements," for information regarding the Company's financial assets that are measured at fair value.

The Company's investment portfolio was primarily invested in corporate bonds and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at February 3, 2024. The state, municipal and corporate bonds and asset-backed securities have contractual maturities which range from seven days to 3.1 years. The U.S. Treasury Notes have contractual maturities which range from four days to 2.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash, and Other assets on the accompanying Consolidated Balance Sheets. These assets are carried at fair value with unrealized gains and losses reported net of taxes in Accumulated other comprehensive income. The asset-backed securities are bonds comprised of auto loans and bank credit cards that carry AAA ratings. The auto loan asset-backed securities are backed by static pools of auto loans that were originated and serviced by captive auto finance units, banks or finance companies. The bank credit card asset-backed securities are backed by revolving pools of credit card receivables generated by account holders of cards from American Express, Citibank, JPMorgan Chase, Capital One, and Discover.

Additionally, at February 3, 2024 and January 28, 2023, the Company had \$1.1 and \$0.9 million, respectively, of corporate equities, which are recorded within Other assets in the accompanying Consolidated Balance Sheets.

Level 1 category securities are measured at fair value using quoted active market prices. Level 2 investment securities include corporate and municipal bonds for which quoted prices may not be available on active exchanges for identical instruments. Their fair value is principally based on market values determined by management with the assistance of a third-party pricing service. Since quoted prices in active markets for

identical assets are not available, these prices are determined by the pricing service using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics, among other factors.

Deferred compensation plan assets consist primarily of life insurance policies. These life insurance policies are valued based on the cash surrender value of the insurance contract, which is determined based on such factors as the fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the valuation hierarchy. The Level 3 liability associated with the life insurance policies represents a deferred compensation obligation, the value of which is tracked via underlying insurance funds' net asset values, as recorded in Other noncurrent liabilities in the Consolidated Balance Sheets. These funds are designed to mirror the return of existing mutual funds and money market funds that are observable and actively traded.

### **Contractual Obligations**

Contractual obligations for future payments at February 3, 2024 relate primarily to operating lease commitments for store leases. Operating leases represent minimum required lease payments under non-cancellable lease terms. Most store leases also require payment of related operating expenses such as taxes, utilities, insurance and maintenance, which are not included in our estimated lease obligations. See Note 11 to the Consolidated Financial Statements, "Leases" for the maturities of our operating lease obligations.

### **Recent Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies, Recently Issued Accounting Pronouncements."

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk:***

The Company is subject to market rate risk from exposure to changes in interest rates based on its financing, investing and cash management activities, but the Company does not believe such exposure is material.

**Item 8. Financial Statements and Supplementary Data:**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of The Cato Corporation

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of The Cato Corporation and its subsidiaries (the "Company") as of February 3, 2024 and January 28, 2023, and the related consolidated statements of income (loss), of comprehensive income (loss), of stockholders' equity and of cash flows for each of the three years in the period ended February 3, 2024, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of February 3, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 3, 2024 and January 28, 2023, and the results of its operations and its cash flows for each of the three years in the period ended February 3, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 3, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Impairment of Long-Lived Assets - Store Location Asset Groupings***

As described in Notes 1 and 6 to the consolidated financial statements, the Company's consolidated property and equipment, net balance was \$64.0 million, of which the store locations were a portion, and consolidated operating lease right-of-use assets, net balance was \$154.7 million as of February 3, 2024. The Company invests in leaseholds, right-of-use assets and equipment, primarily in connection with the opening and remodeling of stores, and in computer software and hardware. The Company periodically reviews its store locations and estimates the recoverability of its long-lived assets, which primarily relate to fixtures and equipment, leasehold improvements, right-of-use assets net of lease liabilities, and information technology equipment and software. An impairment charge is recorded for the amount by which the carrying value exceeds the estimated fair value when management determines that projected cash flows associated with those long-lived assets will not be sufficient to recover the carrying value. This determination is based on a number of factors, including the store's historical operating results and future projected cash flows, which include contribution margin projections. The Company assesses the fair value of each lease by considering market rents and any lease terms that may adjust market rents under certain conditions such as the loss of an anchor tenant or a leased space in a shopping center not meeting certain criteria. An impairment charge for store assets of \$1.8 million was recorded during the year ended February 3, 2024.

The principal considerations for our determination that performing procedures relating to the impairment of long-lived assets – store location asset groupings is a critical audit matter are (i) the significant judgment by management when determining the fair value measurement of the store location asset groupings, which led to (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's projected cash flow assumptions related to contribution margin projections.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's long-lived assets – store location recoverability test and determination of the fair value of the asset group. These procedures also included, among others (i) testing the completeness and accuracy of underlying data used in the projected cash flows and store location asset groupings, (ii) evaluating the reasonableness of management's assumptions related to contribution margin projections by considering current and historical performance of the store location asset groupings and whether the assumptions were consistent with evidence obtained in other areas of the audit, (iii) evaluating the appropriateness of the projected cash flow model, and (iv) evaluating management's assessment of the fair value of the leased assets included in the store location asset groupings.

/s/ PricewaterhouseCoopers LLP  
Charlotte, North Carolina  
March 27, 2024

We have served as the Company's auditor since 2003.

**THE CATO CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND**  
**COMPREHENSIVE INCOME (LOSS)**

	<b>Fiscal Year Ended</b>		
	<b>February 3, 2024</b>	January 28, 2023	January 29, 2022
<b>(Dollars in thousands, except per share data)</b>			
<b>REVENUES</b>			
Retail sales	\$ 700,318	\$ 752,370	\$ 761,358
Other revenue (principally finance charges, late fees and layaway charges)	<u>7,741</u>	<u>6,890</u>	<u>7,913</u>
Total revenues	<u>708,059</u>	<u>759,260</u>	<u>769,271</u>
<b>COSTS AND EXPENSES, NET</b>			
Cost of goods sold (exclusive of depreciation shown below)	464,313	509,664	453,065
Selling, general and administrative (exclusive of depreciation shown below)	252,742	242,561	266,954
Depreciation	9,871	11,080	12,356
Interest expense	35	87	72
Interest and other income	<u>(5,101)</u>	<u>(5,902)</u>	<u>(2,141)</u>
Costs and expenses, net	<u>721,860</u>	<u>757,490</u>	<u>730,306</u>
Income (loss) before income taxes	(13,801)	1,770	38,965
Income tax expense	10,140	1,741	2,121
Net income (loss)	<u>\$ (23,941)</u>	<u>\$ 29</u>	<u>\$ 36,844</u>
Basic earnings (loss) per share	<u>\$ (1.17)</u>	<u>\$ -</u>	<u>\$ 1.65</u>
Diluted earnings (loss) per share	<u>\$ (1.17)</u>	<u>\$ -</u>	<u>\$ 1.65</u>
Dividends per share	<u>\$ 0.68</u>	<u>\$ 0.68</u>	<u>\$ 0.45</u>
Comprehensive income:			
Net income (loss)	\$ (23,941)	\$ 29	\$ 36,844
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of \$489, (\$287), and (\$433) for fiscal 2023, 2022 and 2021, respectively	<u>1,633</u>	<u>(958)</u>	<u>(1,435)</u>
Comprehensive income (loss)	<u>\$ (22,308)</u>	<u>\$ (929)</u>	<u>\$ 35,409</u>

See notes to consolidated financial statements.



**THE CATO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<b>February 3, 2024</b>	<b>January 28, 2023</b>
<b>(Dollars in thousands)</b>		
<b>ASSETS</b>		
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 of allowance for customer credit losses of \$705 at February 3, 2024 and \$761 at January 28, 2023	29,751	26,497
Merchandise inventories	98,603	112,056
Prepaid expenses and other current assets	7,783	6,676
Total Current Assets	243,062	277,673
Property and equipment – net	64,022	70,382
Deferred income taxes	-	9,213
Other assets	25,047	21,596
Right-of-Use assets - net	154,686	174,276
Total Assets	\$ 486,817	\$ 553,140
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 87,821	\$ 91,956
Accrued expenses	37,404	41,338
Accrued bonus and benefits	1,675	1,690
Accrued income taxes	-	613
Current lease liability	61,108	67,360
Total Current Liabilities	188,008	202,957
Other noncurrent liabilities	14,475	16,183
Lease liability	92,013	107,407
Commitments and contingencies	-	-
Stockholders' Equity:		
Preferred stock, \$100 par value per share, 100,000 shares authorized, none issued	-	-
Class A common stock, \$0.033 par value per share, 50,000,000 shares authorized; 18,802,742 and 18,723,225 shares issued at February 3, 2024 and January 28, 2023, respectively	635	632
Convertible Class B common stock, \$0.033 par value per share, 15,000,000 shares authorized; 1,763,652 and 1,763,652 shares issued at February 3, 2024 and January 28, 2023, respectively	59	59
Additional paid-in capital	126,953	122,431
Retained earnings	64,279	104,709
Accumulated other comprehensive income	395	(1,238)
Total Stockholders' Equity	192,321	226,593
Total Liabilities and Stockholders' Equity	\$ 486,817	\$ 553,140

See notes to consolidated financial statements.

**THE CATO CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Fiscal Year Ended</b>		
	<b>February 3, 2024</b>	January 28, 2023	January 29, 2022
	<b>(Dollars in thousands)</b>		
<b>Operating Activities:</b>			
Net income (loss)	\$ (23,941)	\$ 29	\$ 36,844
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	9,871	11,080	12,356
Provision for customer credit losses	554	280	429
Purchase premium and premium amortization of investments	(711)	537	(332)
Gain on sale of assets held for investment	8	-	-
Share based compensation	4,170	2,606	4,090
Deferred income taxes	8,724	386	(3,194)
Loss on disposal of property and equipment	84	199	629
Impairment of assets	1,811	884	901
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(608)	29,034	(3,499)
Merchandise inventories	13,453	12,851	(40,784)
Prepaid and other assets	(216)	1,543	(505)
Operating lease right-of-use assets and liabilities	(2,056)	(2,573)	(3,855)
Accrued income taxes	(613)	(307)	(1,118)
Accounts payable, accrued expenses and other liabilities	(10,053)	(43,179)	57,826
Net cash provided by operating activities	<u>477</u>	<u>13,370</u>	<u>59,788</u>
<b>Investing Activities:</b>			
Expenditures for property and equipment	(12,532)	(19,433)	(4,105)
Purchase of short-term investments	(48,055)	(54,734)	(141,937)
Sales of short-term investments	80,371	90,190	121,110
Purchase of other assets	-	-	(400)
Sales of other assets	(8)	-	-
Net cash provided by (used in) investing activities	<u>19,776</u>	<u>16,023</u>	<u>(25,332)</u>
<b>Financing Activities:</b>			
Dividends paid	(13,954)	(14,369)	(9,972)
Repurchase of common stock	(2,562)	(15,216)	(22,033)
Proceeds from employee stock purchase plan	384	307	204
Net cash used in financing activities	<u>(16,132)</u>	<u>(29,278)</u>	<u>(31,801)</u>
Net increase in cash, cash equivalents, and restricted cash	4,121	115	2,655
Cash, cash equivalents, and restricted cash at beginning of period	23,792	23,677	21,022
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 27,913</u>	<u>\$ 23,792</u>	<u>\$ 23,677</u>
<b>Non-cash activity:</b>			
Accrued property and equipment expenditures	\$ 942	\$ 685	\$ 657

See notes to consolidated financial statements.

**THE CATO CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
(Dollars in thousands)					
<b>Balance — January 30, 2021</b>	\$ 762	\$ 115,278	\$ 129,303	\$ 1,155	\$ 246,498
Comprehensive income:					
Net income	-	-	36,844	-	36,844
Unrealized gains (loss) on available-for-sale securities, net of deferred income tax benefit of (\$433)	-	-	-	(1,435)	(1,435)
Dividends paid (\$0.45 per share)	-	-	(9,972)	-	(9,972)
Class A common stock sold through employee stock purchase plan	-	239	-	-	239
Share-based compensation expense	13	4,023	19	-	4,055
Repurchase and retirement of treasury shares	(47)	-	(21,986)	-	(22,033)
<b>Balance — January 29, 2022</b>	\$ 728	\$ 119,540	\$ 134,208	\$ (280)	\$ 254,196
Comprehensive income:					
Net income	-	-	29	-	29
Unrealized gains (loss) on available-for-sale securities, net of deferred income tax benefit of (\$287)	-	-	-	(958)	(958)
Dividends paid (\$0.68 per share)	-	-	(14,369)	-	(14,369)
Class A common stock sold through employee stock purchase plan	-	360	-	-	360
Share-based compensation expense	4	2,531	17	-	2,552
Repurchase and retirement of treasury shares	(41)	-	(15,176)	-	(15,217)
<b>Balance — January 28, 2023</b>	\$ 691	\$ 122,431	\$ 104,709	\$ (1,238)	\$ 226,593
Comprehensive income:					
Net loss	-	-	(23,941)	-	(23,941)
Unrealized gains (loss) on available-for-sale securities, net of deferred income tax expense of \$489	-	-	-	1,633	1,633
Dividends paid (\$0.68 per share)	-	-	(13,954)	-	(13,954)
Class A common stock sold through employee stock purchase plan	2	445	-	-	447
Share-based compensation expense	10	4,077	18	-	4,105
Repurchase and retirement of treasury shares	(9)	-	(2,553)	-	(2,562)
<b>Balance — February 3, 2024</b>	\$ 694	\$ 126,953	\$ 64,279	\$ 395	\$ 192,321

See notes to consolidated financial statements.

# THE CATO CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies:

**Principles of Consolidation:** The Consolidated Financial Statements include the accounts of The Cato Corporation and its wholly-owned subsidiaries (the “Company”). All significant intercompany accounts and transactions have been eliminated.

**Description of Business and Fiscal Year:** The Company has two reportable segments — the operation of a fashion specialty stores segment (“Retail Segment”) and a credit card segment (“Credit Segment”). The apparel specialty stores operate under the names “Cato,” “Cato Fashions,” “Cato Plus,” “It’s Fashion,” “It’s Fashion Metro,” “Versona” and “Cache,” including e-commerce websites. The stores are located primarily in strip shopping centers principally in the southeastern United States. The Company’s fiscal year ends on the Saturday nearest January 31 of the subsequent year. Fiscal year 2023 is a 53-week year and 2022 and 2021 are 52-week years.

**Use of Estimates:** The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company’s financial statements include the allowance for customer credit losses, inventory shrinkage, the calculation of potential asset impairment, workers’ compensation, general and auto insurance liabilities, reserves relating to self-insured health insurance, uncertain tax positions and valuation allowances on deferred tax assets.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

**Short-Term Investments:** Investments with original maturities beyond three months are classified as short-term investments. See Note 3 for the Company’s estimated fair value of, and other information regarding, its short-term investments. The Company’s short-term investments are all classified as available-for-sale. As they are available for current operations, they are classified on the Consolidated Balance Sheets as Current Assets. Available-for-sale securities are carried at fair value, with unrealized gains and temporary losses, net of income taxes, reported as a component of Accumulated other comprehensive income. Other than temporary declines in the fair value of investments are recorded as a reduction in the cost of the investments in the accompanying Consolidated Balance Sheets and a reduction of Interest and other income in the accompanying Consolidated Statements of Income and Comprehensive Income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums, accretion of discounts and realized gains and losses are included in Interest and other income.

**Restricted Cash:** The Company had \$4.0 million and \$3.8 million in escrow at February 3, 2024 and January 28, 2023, respectively, as security and collateral for administration of the Company’s self-insured workers’ compensation and general liability coverage, which is reported as Restricted cash on the Consolidated Balance Sheets.

**Supplemental Cash Flow Information:** Income tax payments, net of refunds received, for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022 were a payment of \$4,121,000, a refund of \$29,206,000 and a payment of \$13,176,000, respectively.

**Inventories:** Merchandise inventories are stated at the net realizable value as determined by the weighted-average cost method.

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Property and Equipment:** Property and equipment are recorded at cost, including land. Maintenance and repairs are expensed to operations as incurred; renewals and betterments are capitalized. Depreciation is determined on the straight-line method over the estimated useful lives of the related assets excluding leasehold improvements. Leasehold improvements are amortized over the shorter of the estimated useful life or lease term. For leases with renewal periods at the Company's option, the Company generally uses the original lease term plus reasonably assured renewal option periods (generally one five-year option period) to determine estimated useful lives. Typical estimated useful lives are as follows:

<u>Classification</u>	<u>Estimated Useful Lives</u>
Land improvements	10 years
Buildings	30-40 years
Leasehold improvements	5-10 years
Fixtures and equipment	3-10 years
Information technology equipment and software	3-10 years
Aircraft	20 years

**Impairment of Long-Lived Assets:** The Company invests in leaseholds, right-of-use assets and equipment primarily in connection with the opening and remodeling of stores and in computer software and hardware. The Company periodically reviews its store locations and estimates the recoverability of its long-lived assets, which primarily relate to Fixtures and equipment, Leasehold improvements, Right-of-use assets net of Lease liabilities and Information technology equipment and software. An impairment charge is recorded for the amount by which the carrying value exceeds the estimated fair value when the Company determines that projected cash flows associated with those long-lived assets will not be sufficient to recover the carrying value. This determination is based on a number of factors, including the store's historical operating results and future projected cash flows, which include contribution margin projections. The Company assesses the fair value of each lease by considering market rents and any lease terms that may adjust market rents under certain conditions, such as the loss of an anchor tenant or a leased space in a shopping center not meeting certain criteria. Further, in determining when to close a store, the Company considers real estate development in the area and perceived local market conditions, which can be difficult to predict and may be subject to change. Asset impairment charges of \$ 1,811,000, \$884,000 and \$901,000 were incurred in fiscal 2023, fiscal 2022 and fiscal 2021, respectively.

**Other Assets:** Other assets are comprised of long-term assets, primarily insurance contracts related to deferred compensation assets and land held for investment purposes.

	<u>Balance as of</u>	
	<u>February 3, 2024</u>	<u>January 28, 2023</u>
	<u>(Dollars in thousands)</u>	
<b>Other Assets</b>		
Deferred Compensation Investments	\$ 8,586	\$ 9,274
Land Held for Investment	9,334	9,334
Miscellaneous Investments	2,076	1,923
Asset Held for Sale	4,183	-
Other Deposits	604	571
Other	264	494
<b>Total Other Assets</b>	<u>\$ 25,047</u>	<u>\$ 21,596</u>

**Leases:** The Company leases all of its retail stores. Most lease agreements contain construction allowances and rent escalations. For purposes of recognizing incentives and minimum rental expenses on

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

a straight-line basis over the terms of the leases, including renewal periods considered reasonably assured, the Company begins amortization as of the initial possession date which is when the Company enters the space and begins to make improvements in preparation for intended use.

**Revenue Recognition:** The Company recognizes sales at the point of purchase when the customer takes possession of the merchandise and pays for the purchase, generally with cash or credit. Sales from purchases made with Cato credit, gift cards and layaway sales from stores are also recorded when the customer takes possession of the merchandise. E-commerce sales are recorded when the risk of loss is transferred to the customer. Gift cards are recorded as deferred revenue until they are redeemed or forfeited. Layaway sales are recorded as deferred revenue until the customer takes possession or forfeits the merchandise. Gift cards do not have expiration dates. A provision is made for estimated merchandise returns based on sales volumes and the Company’s experience; actual returns have not varied materially from historical amounts. A provision is made for estimated write-offs associated with sales made with the Company’s proprietary credit card. In addition, a provision is made for estimated rewards cards issued to customers based on their purchases with the Company’s propriety credit card. Amounts related to shipping and handling billed to customers in a sales transaction are classified as Other revenue and the costs related to shipping product to customers (billed and accrued) are classified as Cost of goods sold.

In accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“Topic 606”), in fiscal 2023, 2022 and 2021, the Company recognized \$1,116,000, \$256,000 and \$1,482,000, respectively, of income on unredeemed gift cards (“gift card breakage”) as a component of Other Revenue on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Under Topic 606, the Company recognizes gift card breakage using an expected breakage percentage based on redeemed gift cards. See Note 2 for further information on miscellaneous income. The rewards cards issued by the Company have a 90-day expiration.

The Company offers its own proprietary credit card to customers. All credit activity is performed by the Company’s wholly-owned subsidiaries. None of the credit card receivables are secured. The Company estimated customer credit losses of \$578,000 and \$349,000 for the twelve months ended February 3, 2024 and January 28, 2023, respectively, on sales purchased on the Company’s proprietary credit card of \$23.5 million and \$23.3 million for the twelve months ended February 3, 2024 and January 28, 2023, respectively.

The following table provides information about receivables and contract liabilities from contracts with customers (in thousands):

	Balance as of	
	February 3, 2024	January 28, 2023
Proprietary Credit Card Receivables, net	\$ 10,909	\$ 10,553
Gift Card Liability	\$ 8,143	\$ 8,523

**Cost of Goods Sold:** Cost of goods sold includes merchandise costs, net of discounts and allowances, buying costs, distribution costs, occupancy costs, freight, and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs. Buying and distribution costs include payroll, payroll-related costs and operating expenses for the Company’s buying departments and distribution center. Occupancy expenses include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Buying, distribution, occupancy and internal transfer costs are treated as period costs and are not capitalized as part of inventory. The direct costs associated with shipping goods to customers are recorded as a component of Cost of goods sold.

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**Advertising:** Advertising costs are expensed in the period in which they are incurred. Advertising expense was approximately \$6,277,000, \$6,868,000 and \$6,037,000 for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022, respectively.

**Stock Repurchase Program:** For the fiscal year ended February 3, 2024, the Company had 909,653 shares remaining in open authorizations. There is no specified expiration date for the Company's repurchase program. Share repurchases are recorded in Retained earnings, net of par value.

**Earnings Per Share:** ASC 260 – *Earnings Per Share* requires dual presentation of basic EPS and diluted EPS on the face of all income statements for all entities with complex capital structures. The Company has presented one basic EPS and one diluted EPS amount for all common shares in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). While the Company's certificate of incorporation provides the right for the Board of Directors to declare dividends on Class A shares without declaration of commensurate dividends on Class B shares, the Company has historically paid the same dividends to both Class A and Class B shareholders and the Board of Directors has resolved to continue this practice. Accordingly, the Company's allocation of income for purposes of EPS computation is the same for Class A and Class B shares and the EPS amounts reported herein are applicable to both Class A and Class B shares.

Basic EPS is computed as net earnings (loss) less earnings allocated to non-vested equity awards divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options and the Employee Stock Purchase Plan.

The following table reflects the basic and diluted EPS calculations for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022:

	Fiscal Year Ended		
	February 3, 2024	January 28, 2023	January 29, 2022
<b>Numerator</b>		<b>(Dollars in thousands)</b>	
Net earnings (loss)	\$ (23,941)	\$ 29	\$ 36,844
(Earnings) loss allocated to non-vested equity awards	1,347	12	(1,937)
Net earnings (loss) available to common stockholders	\$ (22,594)	\$ 41	\$ 34,907
<b>Denominator</b>			
Basic weighted average common shares outstanding	19,389,907	19,930,960	21,113,828
Diluted weighted average common shares outstanding	19,389,907	19,930,960	21,113,828
<b>Net income (loss) per common share</b>			
Basic earnings (loss) per share	\$ (1.17)	\$ -	\$ 1.65
Diluted earnings (loss) per share	\$ (1.17)	\$ -	\$ 1.65

**Vendor Allowances:** The Company receives certain allowances from vendors primarily related to purchase discounts and markdown and damage allowances. All allowances are reflected in Cost of goods sold as earned when the related products are sold. Cash consideration received from a vendor is presumed to be a reduction of the purchase cost of merchandise and is reflected as a reduction of inventory. The Company does not receive cooperative advertising allowances.

**Income Taxes:** The Company files a consolidated federal income tax return. Income taxes are provided based on the asset and liability method of accounting, whereby deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company's assets and liabilities.

Unrecognized tax benefits for uncertain tax positions are established in accordance with ASC 740 – *Income Taxes* when, despite the fact that the tax return positions are supportable, the Company believes these positions may be challenged and the results are uncertain. The Company adjusts these liabilities in light of changing facts and circumstances. Potential accrued interest and penalties related to unrecognized tax benefits within operations are recognized as a component of Income before income taxes.

The Company assesses the likelihood that deferred tax assets will be able to be realized, and based on that assessment, the Company will determine if a valuation allowance should be recorded.

In addition, the Tax Cuts and Jobs Act implemented a new minimum tax on global intangible low-taxed income (“GILTI”). The Company has elected to account for GILTI tax in the period in which it is incurred, which is included as a component of its current year provision for income taxes.

**Deferred Tax Valuation Allowance:** The Company assesses the likelihood that deferred tax assets will be realized in light of the Company's current financial performance and projected future financial performance. Based on this assessment, the Company then determines if a valuation allowance should be recorded. If the Company concludes that it is more likely than not that the Company will not be able to realize its tax deferred assets, a valuation allowance is recorded for the proportion of the deferred tax asset it determines may not be realized.

**Store Opening Costs:** Costs relating to the opening of new stores or the relocating or expanding of existing stores are expensed as incurred. A portion of construction, design, and site selection costs are capitalized to new, relocated and remodeled stores.

**Insurance:** The Company is self-insured with respect to employee health care, workers' compensation and general liability. The Company's self-insurance liabilities are based on the total estimated cost of claims filed and estimates of claims incurred but not reported, less amounts paid against such claims, and are not discounted. Management reviews current and historical claims data in developing its estimates. The Company has stop-loss insurance coverage for individual claims in excess of \$325,000 for employee healthcare, \$350,000 for workers' compensation and \$250,000 for general liability.

**Fair Value of Financial Instruments:** The Company's carrying values of financial instruments, such as cash and cash equivalents, short-term investments, and restricted cash, approximate their fair values due to their short terms to maturity and/or their variable interest rates.

**Stock Based Compensation:** The Company records compensation expense associated with restricted stock and other forms of equity compensation in accordance with ASC 718 - *Compensation – Stock Compensation*. Compensation cost associated with stock awards recognized in all years presented includes: 1) amortization related to the remaining unvested portion of all stock awards based on the grant date fair value and 2) adjustments for the effects of actual forfeitures versus initial estimated forfeitures.

**Subsequent Events:** On February 16, 2024, the Company closed on the sale of land held for investment for \$4.2 million, less commissions. This transaction will be reflected in the Company's consolidated financial statements in the first quarter of fiscal 2024.

**Recently Issued Accounting Pronouncements:** In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”, which modifies disclosure requirements



## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

for all public entities that are required to report segment information. The update will change the reporting of segments by adding significant segment expenses, other segment items, title and position of the chief operating decision maker (“COD”) and how the COD uses the reported measures to make decisions. The update also requires all annual disclosure about a reportable segment’s profit or loss and assets in interim periods. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and the guidance is applicable retrospectively to all prior periods presented in the financial statements. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”, which modifies the requirements on income tax disclosures to require disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. This guidance is effective for fiscal years beginning after December 15, 2024 for all public business entities, with early adoption and retrospective application permitted. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

#### 2. Interest and Other Income:

The components of Interest and other income are shown below (in thousands):

	Fiscal Year Ended		
	February 3, 2024	January 28, 2023	January 29, 2022
Dividend income	\$ (78)	\$ (47)	\$ (76)
Interest income	(3,919)	(1,876)	(1,321)
State recovery grant	-	(1,431)	-
Insurance proceeds	-	(1,683)	-
Miscellaneous income	(1,079)	(896)	(580)
Net loss (gain) on investment sales	(25)	31	(164)
Interest and other income	\$ (5,101)	\$ (5,902)	\$ (2,141)

In fiscal 2022, the Company received \$1.4 million from the state of North Carolina’s Business Recovery Program, which provided aid to eligible North Carolina businesses that suffered significant economic damage from the COVID-19 pandemic. Additionally, in fiscal 2022, the Company received \$1.7 million in property insurance claims, including business interruption, from Hurricanes Ida and Laura in 2021 and 2020.

#### 3. Short-Term Investments:

At February 3, 2024, the Company’s investment portfolio was primarily invested in corporate and governmental debt securities held in managed accounts. These securities are classified as available-for-sale as they are highly liquid and are recorded on the Consolidated Balance Sheets at estimated fair value, with unrealized gains and temporary losses reported net of taxes in Accumulated other comprehensive income.

The table below reflects gross accumulated unrealized gains (losses) in short-term investments at February 3, 2024 and January 28, 2023 (in thousands):

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	February 3, 2024			January 28, 2023				
	Debt securities issued by the U.S Government, its various States, municipalities and agencies of each		Corporate debt securities	Total	Debt securities issued by the U.S Government, its various States, municipalities and agencies of each		Corporate debt securities	Total
Cost basis	\$	30,989	\$ 48,320	\$ 79,309	\$	51,372	\$ 59,541	\$ 110,913
Unrealized gains		-	38	38		-	-	-
Unrealized (loss)		(335)	-	(335)		(1,020)	(1,241)	(2,261)
Estimated fair value	\$	<u>30,654</u>	<u>\$ 48,358</u>	<u>\$ 79,012</u>	\$	<u>50,352</u>	<u>\$ 58,300</u>	<u>\$ 108,652</u>

Accumulated other comprehensive income on the Consolidated Balance Sheets reflects the accumulated unrealized gains and losses in short-term investments in addition to unrealized gains and losses from equity investments and restricted cash investments. The table below reflects gross accumulated unrealized gains and losses in these investments at February 3, 2024 and January 28, 2023 (in thousands):

Security Type	February 3, 2024			January 28, 2023		
	Unrealized Gain/(Loss)	Deferred Tax Benefit/ (Expense)	Unrealized Net Gain/ (Loss)	Unrealized Gain/(Loss)	Deferred Tax Benefit/ (Expense)	Unrealized Net Gain/ (Loss)
Short-Term Investments	\$ (297)	\$ 68	\$ (229)	\$ (2,261)	\$ 521	\$ (1,740)
Equity Investments	811	(187)	624	652	(150)	502
Total	<u>\$ 514</u>	<u>\$ (119)</u>	<u>\$ 395</u>	<u>\$ (1,609)</u>	<u>\$ 371</u>	<u>\$ (1,238)</u>

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**4. Fair Value Measurements:**

The following tables set forth information regarding the Company's financial assets that are measured at fair value as of February 3, 2024 and January 28, 2023 (in thousands):

<b>Description</b>	<b>February 3, 2024</b>	<b>Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Assets:</b>				
State/Municipal Bonds	\$ 12,540	\$ -	\$ 12,540	\$ -
Corporate Bonds	45,400	-	45,400	-
U.S. Treasury/Agencies Notes and Bonds	18,114	-	18,114	-
Cash Surrender Value of Life Insurance	8,586	-	-	8,586
Asset-backed Securities (ABS)	2,958	-	2,958	-
Corporate Equities	1,084	1,084	-	-
<b>Total Assets</b>	<b>\$ 88,682</b>	<b>\$ 1,084</b>	<b>\$ 79,012</b>	<b>\$ 8,586</b>
<b>Liabilities:</b>				
Deferred Compensation	\$ (8,654)	\$ -	\$ -	\$ (8,654)
<b>Total Liabilities</b>	<b>\$ (8,654)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,654)</b>

<b>Description</b>	<b>January 28, 2023</b>	<b>Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Assets:</b>				
State/Municipal Bonds	\$ 23,102	\$ -	\$ 23,102	\$ -
Corporate Bonds	47,901	-	47,901	-
U.S. Treasury/Agencies Notes and Bonds	27,250	-	27,250	-
Cash Surrender Value of Life Insurance	9,274	-	-	9,274
Asset-backed Securities (ABS)	9,373	-	9,373	-
Corporate Equities	923	923	-	-
Commercial Paper	1,026	-	1,026	-
<b>Total Assets</b>	<b>\$ 118,849</b>	<b>\$ 923</b>	<b>\$ 108,652</b>	<b>\$ 9,274</b>
<b>Liabilities:</b>				
Deferred Compensation	\$ (8,903)	\$ -	\$ -	\$ (8,903)
<b>Total Liabilities</b>	<b>\$ (8,903)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,903)</b>

The Company's investment portfolio was primarily invested in corporate bonds and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at February 3, 2024. The state, municipal and corporate bonds and asset-backed securities have contractual maturities which range from seven days to 3.1 years. The U.S. Treasury Notes have contractual maturities which range from four days to 2.0 years. These securities are classified as available-for-sale and are recorded as Short-term investments, Restricted cash, and Other assets on the accompanying Consolidated Balance Sheets. These assets are carried at fair value with unrealized gains and losses reported net of taxes in Accumulated other comprehensive income. The asset-backed securities are bonds comprised of auto loans and bank credit cards that carry AAA ratings. The auto loan asset-backed securities are backed by static pools of auto loans that were originated and serviced by captive auto finance units, banks or finance companies. The bank credit card asset-backed securities are backed by revolving pools of credit card

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

receivables generated by account holders of cards from American Express, Citibank, JPMorgan Chase, Capital One, and Discover.

Additionally, at February 3, 2024 and January 28, 2023, the Company had \$1.1 and \$0.9 million, respectively, of corporate equities, which are recorded within Other assets in the accompanying Consolidated Balance Sheets.

Level 1 category securities are measured at fair value using quoted active market prices. Level 2 investment securities include corporate and municipal bonds for which quoted prices may not be available on active exchanges for identical instruments. Their fair value is principally based on market values determined by management with the assistance of a third-party pricing service. Since quoted prices in active markets for identical assets are not available, these prices are determined by the pricing service using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics, among other factors.

Deferred compensation plan assets consist primarily of life insurance policies. These life insurance policies are valued based on the cash surrender value of the insurance contract, which is determined based on such factors as the fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the valuation hierarchy. The Level 3 liability associated with the life insurance policies represents a deferred compensation obligation, the value of which is tracked via underlying insurance funds' net asset values, as recorded in Other noncurrent liabilities in the Consolidated Balance Sheets. These funds are designed to mirror the return of existing mutual funds and money market funds that are observable and actively traded.

The following tables summarize the change in fair value of the Company's financial assets and liabilities measured using Level 3 inputs for the years ended February 3, 2024 and January 28, 2023 (in thousands):

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	<b>Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)</b>	
	<b>Cash Surrender Value</b>	
Beginning Balance at January 28, 2023	\$	9,274
Redemptions		(1,168)
Total gains or (losses)		
Included in interest and other income (or changes in net assets)		480
Ending Balance at February 3, 2024	\$	8,586

	<b>Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)</b>	
	<b>Deferred Compensation</b>	
Beginning Balance at January 28, 2023	\$	(8,903)
Redemptions		1,119
Additions		(292)
Total (gains) or losses		
Included in interest and other income (or changes in net assets)		(578)
Ending Balance at February 3, 2024	\$	(8,654)

	<b>Fair Value Measurements Using Significant Unobservable Asset Inputs (Level 3)</b>	
	<b>Cash Surrender Value</b>	
Beginning Balance at January 29, 2022	\$	11,472
Redemptions		(1,718)
Total gains or (losses)		
Included in interest and other income (or changes in net assets)		(480)
Ending Balance at January 28, 2023	\$	9,274

	<b>Fair Value Measurements Using Significant Unobservable Liability Inputs (Level 3)</b>	
	<b>Deferred Compensation</b>	
Beginning Balance at January 29, 2022	\$	(10,020)
Redemptions		1,142
Additions		(379)
Total (gains) or losses		
Included in interest and other income (or changes in net assets)		354
Ending Balance at January 28, 2023	\$	(8,903)

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### 5. Accounts Receivable:

Accounts receivable consist of the following (in thousands):

	<b>February 3, 2024</b>	January 28, 2023
Customer accounts — principally deferred payment accounts	\$ 11,614	\$ 11,313
Income tax receivable	6,285	6,442
Miscellaneous receivables	7,171	3,991
Bank card receivables	<u>5,386</u>	<u>5,512</u>
Total	30,456	27,258
Less allowance for customer credit losses	<u>705</u>	<u>761</u>
Accounts receivable — net	<u>\$ 29,751</u>	<u>\$ 26,497</u>

Finance charge and late charge revenue on customer deferred payment accounts totaled \$2,640,000, \$2,243,000 and \$2,066,000 for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022, respectively, and charges against the allowance for customer credit losses were approximately \$554,000, \$280,000 and \$429,000 for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022, respectively. Expenses relating to the allowance for customer credit losses are classified as a component of Selling, general and administrative expense in the accompanying Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Current year Miscellaneous receivables includes \$3.2 million for the estimated cost to repair the Company's corporate jet, which had sustained damage at the end of the second quarter.

#### 6. Property and Equipment:

Property and equipment consist of the following (in thousands):

	<b>February 3, 2024</b>	January 28, 2023
Land and improvements	\$ 13,755	\$ 13,595
Buildings	35,756	35,537
Leasehold improvements	74,782	77,609
Fixtures and equipment	155,357	174,640
Information technology equipment and software	39,904	38,202
Construction in progress	<u>18,034</u>	<u>12,989</u>
Total	337,588	352,572
Less accumulated depreciation	<u>273,566</u>	<u>282,190</u>
Property and equipment — net	<u>\$ 64,022</u>	<u>\$ 70,382</u>

Construction in progress primarily represents costs related to new store development, distribution center improvements and investments in new technology.

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**7. Accrued Expenses:**

Accrued expenses consist of the following (in thousands):

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Accrued employment and related items	\$ 4,736	\$ 7,377
Property and other taxes	13,544	16,546
Accrued self-insurance	9,500	7,968
Fixed assets	942	685
Other	<u>8,682</u>	<u>8,762</u>
Total	<u>\$ 37,404</u>	<u>\$ 41,338</u>

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### 8. Financing Arrangements:

As of February 3, 2024, the Company had an unsecured revolving credit agreement, which provided for borrowings of up to \$35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On August 9, 2023, the Company amended the revolving credit agreement to modify a definition used in calculating the Company's minimum EBITDAR coverage ratio to add back certain income tax receivables for purposes of calculating the ratio through February 3, 2024. On October 24, 2023, the Company further amended the revolving credit agreement to flex the Company's minimum EBITDAR coverage ratio based upon the amount of the Company's cash and investments. The Company was in compliance with the amended revolving credit agreement as of February 3, 2024. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, under this credit facility as of the fiscal year ended February 3, 2024 or the fiscal year ended January 28, 2023. The weighted average interest rate under the credit facility was zero at February 3, 2024 due to no borrowings outstanding.

The Company had no outstanding revocable letters of credit relating to purchase commitments at February 3, 2024 or at January 28, 2023.

#### 9. Stockholders' Equity:

The holders of Class A Common Stock are entitled to one vote per share, whereas the holders of Class B Common Stock are entitled to ten votes per share. Each share of Class B Common Stock may be converted at any time into one share of Class A Common Stock. Subject to the rights of the holders of any shares of Preferred Stock that may be outstanding at the time, in the event of liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to receive a preferential distribution of \$1.00 per share of the net assets of the Company. Cash dividends on the Class B Common Stock cannot be paid unless cash dividends of at least an equal amount are paid on the Class A Common Stock.

The Company's certificate of incorporation provides that shares of Class B Common Stock may be transferred only to certain "Permitted Transferees" consisting generally of the lineal descendants of holders of Class B Common Stock, trusts for their benefit, corporations and partnerships controlled by them and the Company's employee benefit plans. Any transfer of Class B Common Stock in violation of these restrictions, including a transfer to the Company, results in the automatic conversion of the transferred shares of Class B Common Stock held by the transferee into an equal number of shares of Class A Common Stock.

#### 10. Employee Benefit Plans:

The Company has a defined contribution retirement savings plan ("401(k) plan") which covers all associates who meet minimum age and service requirements. The 401(k) plan allows participants to contribute up to 75% of their annual compensation up to the maximum elective deferral, designated by the Internal Revenue Service. The Company is obligated to make a minimum contribution to cover plan administrative expenses. Further Company contributions are at the discretion of the Board of Directors. The Company's contributions for the years ended February 3, 2024, January 28, 2023 and January 29, 2022 were approximately \$1,099,000, \$1,184,000 and \$1,210,000, respectively.

The Company has a trustee, non-contributory Employee Stock Ownership Plan ("ESOP"), which covers substantially all associates who meet minimum age and service requirements. The amount of the



## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company's discretionary contribution to the ESOP is determined by the Compensation Committee of the Board of Directors and can be made in Company Class A Common stock or cash. Due to a net operating loss in fiscal 2023, the Committee did not approve a contribution to the ESOP for the year ended February 3, 2024. The Company's contributions were \$32,510 and \$29,430,000 for the years ended January 28, 2023 and January 29, 2022, respectively.

The Company is primarily self-insured for healthcare. These costs are significant primarily due to the large number of the Company's retail locations and associates. The Company's self-insurance liabilities are based on the total estimated costs of claims filed and estimates of claims incurred but not reported, less amounts paid against such claims. Management reviews current and historical claims data in developing its estimates. If the underlying facts and circumstances of the claims change or the historical trend is not indicative of future trends, then the Company may be required to record additional expense or a reduction to expense which could be material to the Company's reported results of operations in the period recorded. The Company funds healthcare contributions to a third-party provider.

#### 11. Leases:

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for stores, offices, warehouse space and equipment. Its leases have remaining lease terms of one year to 10 years, some of which include options to extend the lease term for up to five years, and some of which include options to terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at commencement date of the lease in determining the present value of lease payments.

The components of lease cost are shown below (in thousands):

	Fiscal Year Ended	
	February 3, 2024	January 28, 2023
Operating lease cost (a)	\$ 70,363	\$ 71,513
Variable lease cost (b)	\$ 2,646	\$ 3,127

(a) Includes right-of-use asset amortization of (\$1.3) million and (\$1.7) million for the twelve months ended February 3, 2024 and January 28, 2023, respectively.

(b) Primarily relates to monthly percentage rent for stores not presented on the balance sheet.

Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows (in thousands):

#### Operating cash flow information:

	Fiscal Year Ended	
	February 3, 2024	January 28, 2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 65,872	\$ 67,194
<b>Non-cash activity:</b>		
Right-of-use assets obtained in exchange for lease obligations, net of rent violations	\$ 44,284	\$ 57,628

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	As of	
	February 3, 2024	January 28, 2023
Weighted-average remaining lease term	2.3 years	2.5 years
Weighted-average discount rate	4.58%	3.13%

Maturities of lease liabilities by fiscal year for the Company's operating leases are as follows (in thousands):

**Fiscal Year**

2024	\$	66,868
2025		45,125
2026		29,070
2027		16,517
2028		7,716
Thereafter		690
Total lease payments		165,986
Less: Imputed interest		12,865
Present value of lease liabilities	\$	153,121

#### 12. Income Taxes:

Unrecognized tax benefits for uncertain tax positions, primarily recorded in Other noncurrent liabilities, are established in accordance with ASC 740 when, despite the fact that the tax return positions are supportable, the Company believes these positions may be challenged and the results are uncertain. The Company adjusts these liabilities in light of changing facts and circumstances. As of February 3, 2024, the Company had gross unrecognized tax benefits totaling approximately \$3.9 million, of which approximately \$5.0 million (inclusive of interest) would affect the effective tax rate if recognized. The Company had approximately \$1.8 million, \$2.0 million and \$2.0 million of interest and penalties accrued related to uncertain tax positions as of February 3, 2024, January 28, 2023 and January 29, 2022, respectively. The Company recognizes interest and penalties related to the resolution of uncertain tax positions as a component of income tax expense. The Company recognized \$393,000, \$517,000 and \$452,000 of interest and penalties in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended February 3, 2024, January 28, 2023 and January 29, 2022, respectively. The Company is no longer subject to U.S. federal income tax examinations for years before 2020. In state and local tax jurisdictions, the Company has limited exposure before 2013. During the next 12 months, various state and local taxing authorities' statutes of limitations will expire and certain state examinations may close, which could result in a potential reduction of unrecognized tax benefits for which a range cannot be determined.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

<b><u>Fiscal Year Ended</u></b>	<b><u>February 3, 2024</u></b>	<u>January 28, 2023</u>	<u>January 29, 2022</u>
Balances, beginning	\$ <b>4,886</b>	\$ 5,286	\$ 5,946
Additions for tax positions of the current year	<b>76</b>	431	1,312
Additions for tax positions of prior years	-	137	680
Reduction for tax positions of prior years for:			
Lapses of applicable statutes of limitations	<b>(1,065)</b>	(968)	(2,652)
Balances, ending	<b>\$ 3,897</b>	\$ 4,886	\$ 5,286

The provision for income taxes consists of the following (in thousands):

<b><u>Fiscal Year Ended</u></b>	<b><u>February 3, 2024</u></b>	<u>January 28, 2023</u>	<u>January 29, 2022</u>
Current income taxes:			
Federal	\$ <b>(148)</b>	\$ (817)	\$ 2,532
State	<b>(334)</b>	(231)	802
Foreign	<b>1,898</b>	2,403	1,984
Total	<b>1,416</b>	1,355	5,318
Deferred income taxes:			
Federal	<b>6,613</b>	200	(2,558)
State	<b>2,093</b>	186	(639)
Foreign	<b>18</b>	-	-
Total	<b>8,724</b>	386	(3,197)
Total income tax expense	<b>\$ 10,140</b>	\$ 1,741	\$ 2,121

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Significant components of the Company's deferred tax assets and liabilities as of February 3, 2024 and January 28, 2023 are as follows (in thousands):

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Deferred tax assets:		
Allowance for customer credit losses	\$ 150	\$ 162
Inventory valuation	1,076	1,042
Non-deductible accrued liabilities	1,367	1,435
Other taxes	862	875
Federal benefit of uncertain tax positions	712	851
Equity compensation expense	2,975	2,892
Federal tax credits	379	-
Net operating losses	7,854	5,567
Charitable contribution carryover	265	216
State tax credits	-	340
Lease liabilities	34,810	40,090
Property and equipment	3,885	3,400
Amortization	1,401	-
Other	2,150	2,822
Total deferred tax assets before valuation allowance	<u>57,886</u>	<u>59,692</u>
Valuation allowance	<u>(17,998)</u>	<u>(5,058)</u>
Total deferred tax assets after valuation allowance	<u>39,888</u>	<u>54,634</u>
Deferred tax liabilities:		
Right-of-Use assets	39,721	44,732
Accrued self-insurance reserves	167	689
Total deferred tax liabilities	<u>39,888</u>	<u>45,421</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ 9,213</u>

The changes in the valuation allowance are presented below:

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Valuation Allowance Beginning Balance	\$ (5,058)	\$ (4,473)
Net Valuation Allowance (Additions) / Reductions	<u>(12,940)</u>	<u>(585)</u>
Valuation Allowance Ending Balance	<u>\$ (17,998)</u>	<u>\$ (5,058)</u>

The Company had \$0.3 million of state tax credits to offset future state income tax expense, which expired during fiscal 2023. The Company had previously recorded a valuation allowance of \$0.3 million.

As of February 3, 2024, the Company had \$ 6.8 million of net deferred tax assets attributable to state net operating loss carryforwards and \$0.3 million of other deferred tax assets affecting state income tax. The Company assessed the likelihood that deferred tax assets related to state net operating loss carryforwards and other deferred tax assets affecting state income tax will be realized. Based on this assessment, the Company concluded that it is more likely than not the Company will not be able to realize \$ 6.8 million and \$0.3 million of the net operating losses and other deferred assets, respectively, and accordingly, has recorded a valuation allowance for the same amount.

As of February 3, 2024, the Company had \$ 11.0 million of net deferred tax assets attributable to U.S. federal net operating loss carryforwards, other credit carryforwards and all other deferred tax assets net of

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

deferred tax liabilities. The Company assessed the likelihood that deferred tax assets related to net operating loss carryforwards, credit carryforwards and all other remaining deferred tax assets net of deferred tax liabilities will be realized. Based on this assessment, the Company concluded that it is more likely than not the Company will not be able to realize \$1.1 million of net operating loss carryforwards, \$0.4 million of credit carryforwards and \$9.5 million of remaining deferred tax assets net of deferred tax liabilities.

The net change in the valuation allowance of \$12.9 million for the year ended February 3, 2024 is due to recording a valuation allowance of \$11.0 million against net deferred tax assets attributable to U.S. federal net operating loss carryforwards, other credit carryforwards and all other deferred tax assets net of deferred tax liabilities and increases in state net operating losses and state tax credits. The net change in the valuation allowance for the year ended January 28, 2023 is due to state net operating losses and state tax credits.

As of February 3, 2024, the Company's position is that its overseas subsidiaries will not invest undistributed earnings indefinitely. Future unremitted earnings when distributed are expected to be either distributions of GILTI-previously taxed income or eligible for a 100% dividends received deduction. The withholding tax rate on any unremitted earnings is zero and state income taxes on such earnings are considered immaterial. Therefore, the Company has not provided deferred U.S. income taxes on approximately \$27.4 million of cumulative earnings from non-U.S. subsidiaries.

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reconciliation of the Company's effective income tax rate with the statutory rate is as follows:

<b>Fiscal Year Ended</b>	<b>February 3, 2024</b>	January 28, 2023	January 29, 2022
Federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes	4.5	(36.4)	2.7
CARES ACT - Carryback differential	-	-	(5.8)
Global intangible low-taxed income	(33.4)	333.0	6.7
Foreign tax credit	0.3	(11.2)	(4.3)
Foreign rate differential	7.8	(74.4)	(2.8)
Offshore claim	15.2	(141.2)	(5.5)
Limitation on officer compensation	(3.1)	27.2	1.9
Work opportunity credit	1.5	(63.7)	(1.8)
Addback on wage related credits	(0.3)	13.4	0.4
Tax exempt interest	0.5	(14.4)	-
Insurance	-	(8.1)	(1.0)
Charitable contribution of inventory	(0.6)	-	(1.1)
Uncertain tax positions	7.4	(18.7)	(3.5)
Deferred rate change	-	1.1	0.1
Valuation allowance	(96.0)	70.9	(2.1)
Other	1.7	(0.1)	0.5
Effective income tax rate	<u>(73.5) %</u>	<u>98.4 %</u>	<u>5.4 %</u>

The largest driver for the difference between the Company's effective income tax rate for the year ended February 3, 2024 and the U.S. federal income tax rate is the valuation allowance (discussed above) recorded against the Company's net deferred tax assets attributable to U.S. federal net operating loss carryforwards, other credit carryforwards and all other deferred tax assets net of deferred tax liabilities.

### 13. Reportable Segment Information:

The Company has determined that it has four operating segments, as defined under ASC 280-10 – *Segment Reporting*, including Cato, It's Fashion, Verso na and Credit. As outlined in ASC 280-10, the Company has two reportable segments: Retail and Credit. The Company has aggregated its three retail operating segments, including e-commerce, based on the aggregation criteria outlined in ASC 280-10, which states that two or more operating segments may be aggregated into a single reportable segment if aggregation is consistent with the objective and basic principles of ASC 280-10, which require the segments have similar economic characteristics, products, production processes, customers and methods of distribution.

The Company's retail operating segments have similar economic characteristics and similar operating, financial and competitive risks. The products sold in each retail operating segment are similar in nature, as they all offer women's apparel, shoes and accessories. Merchandise inventory of the Company's retail operating segments is sourced from the same countries and some of the same vendors, using similar production processes. Merchandise for the Company's retail operating segments is distributed to retail stores in a similar manner through the Company's single distribution center and is subsequently sold to customers in a similar manner.

The Company offers its own credit card to its customers and all credit authorizations, payment processing and collection efforts are performed by a wholly-owned subsidiary of the Company.

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following schedule summarizes certain segment information (in thousands):

<b><u>Fiscal 2023</u></b>	<b><u>Retail</u></b>	<b><u>Credit</u></b>	<b><u>Total</u></b>
Revenues	\$ 705,419	\$ 2,640	\$ 708,059
Depreciation	9,869	2	9,871
Interest and other income	5,101	-	5,101
Income (loss) before taxes	(14,746)	945	(13,801)
Capital expenditures	12,532	-	12,532

<b><u>Fiscal 2022</u></b>	<b><u>Retail</u></b>	<b><u>Credit</u></b>	<b><u>Total</u></b>
Revenues	\$ 757,017	\$ 2,243	\$ 759,260
Depreciation	11,078	2	11,080
Interest and other income	5,902	-	5,902
Income before taxes	1,179	591	1,770
Capital expenditures	19,433	-	19,433

<b><u>Fiscal 2021</u></b>	<b><u>Retail</u></b>	<b><u>Credit</u></b>	<b><u>Total</u></b>
Revenues	\$ 767,205	\$ 2,066	\$ 769,271
Depreciation	12,354	2	12,356
Interest and other income	2,141	-	2,141
Income before taxes	38,340	625	38,965
Capital expenditures	4,101	4	4,105

	<b><u>Retail</u></b>	<b><u>Credit</u></b>	<b><u>Total</u></b>
Total assets as of February 3, 2024	\$ 448,488	\$ 38,329	\$ 486,817
Total assets as of January 28, 2023	514,609	38,531	553,140

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in Note 1. The Company evaluates performance based on profit or loss from operations before income taxes. The Company does not allocate certain corporate expenses to the Credit segment.

The following schedule summarizes the direct expenses of the Credit segment which are reflected in Selling, general and administrative expenses (in thousands):

	<b><u>Fiscal Year Ended</u></b>		
	<b><u>February 3, 2024</u></b>	<b><u>January 28, 2023</u></b>	<b><u>January 29, 2022</u></b>
Payroll	\$ 578	\$ 527	\$ 501
Postage	452	406	342
Other expenses	662	717	595
Total expenses	<b><u>\$ 1,692</u></b>	<b><u>\$ 1,650</u></b>	<b><u>\$ 1,438</u></b>

**14. Stock Based Compensation:**

As of February 3, 2024, the Company had the 2018 Incentive Compensation Plan for the granting of various forms of equity-based awards, including restricted stock and stock options for grant, to officers, directors and key employees.

## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the number of options and shares of restricted stock initially authorized and available for grant under this plan as of February 3, 2024:

	2018 Plan
Options and/or restricted stock initially authorized	4,725,000
Options and/or restricted stock available for grant:	
January 28, 2023	3,461,061
February 3, 2024	3,147,393

In accordance with ASC 718, the fair value of restricted stock awards is estimated on the date of grant based on the market price of the Company's stock and is amortized to compensation expense on a straight-line basis over a five-year vesting period. As of February 3, 2024, there was \$9,334,000 of total unrecognized compensation expense related to unvested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of 2.1 years. The total grant date fair value of the shares recognized as compensation expense during the twelve months ended February 3, 2024, January 28, 2023 and January 29, 2022 was \$4,105,000, \$2,556,000 and \$4,055,000, respectively. The increase in total compensation expense for fiscal 2023 is due to a true-up in fiscal 2022 that resulted from forfeitures driven by the retirement of several senior members of management. The expenses are classified as a component of Selling, general and administrative expenses in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

The following summary shows the changes in the shares of unvested restricted stock outstanding during the years ended February 3, 2024, January 28, 2023 and January 29, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at January 30, 2021	1,023,956	\$ 15.33
Granted	407,910	13.49
Vested	(176,575)	22.22
Forfeited or expired	(59,003)	13.95
Restricted stock awards at January 29, 2022	1,196,288	\$ 13.76
Granted	319,441	13.70
Vested	(231,638)	16.99
Forfeited or expired	(224,658)	13.43
Restricted stock awards at January 28, 2023	1,059,433	\$ 13.10
Granted	414,502	8.29
Vested	(217,238)	13.97
Forfeited or expired	(132,824)	11.73
Restricted stock awards at February 3, 2024	1,123,873	\$ 11.32

The Company's Employee Stock Purchase Plan allows eligible full-time employees to purchase a limited number of shares of the Company's Class A Common Stock during each semi-annual offering period at a 15% discount through payroll deductions. During the twelve month period ended February 3, 2024, the Company sold 54,889 shares to employees at an average discount of \$1.22 per share under the Employee Stock Purchase Plan. The compensation expense recognized for the 15% discount given under the Employee Stock Purchase Plan was approximately \$67,000, \$54,000 and \$36,000 for fiscal years



## THE CATO CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2023, 2022 and 2021, respectively. These expenses are classified as a component of Selling, general and administrative expenses.

#### 15. Commitments and Contingencies:

The Company is, from time to time, involved in routine litigation incidental to the conduct of its business, including litigation regarding the merchandise that it sells, litigation regarding intellectual property, litigation instituted by persons injured upon premises under our control, litigation with respect to various employment matters, including alleged discrimination and wage and hour litigation, and litigation with present or former employees.

Although such litigation is routine and incidental to the conduct of the Company's business, as with any business of its size with a significant number of employees and significant merchandise sales, such litigation could result in large monetary awards. Based on information currently available, management does not believe that any reasonably possible losses arising from current pending litigation will have a material adverse effect on the Company's consolidated financial statements. However, given the inherent uncertainties involved in such matters, an adverse outcome in one or more of such matters could materially and adversely affect the Company's financial condition, results of operations and cash flows in any particular reporting period. The Company accrues for these matters when the liability is deemed probable and reasonably estimable.

#### 16. Accumulated Other Comprehensive Income:

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the year ended February 3, 2024:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at January 28, 2023	\$ (1,238)
Other comprehensive income (loss) before reclassification	1,614
Amounts reclassified from accumulated other comprehensive income (b)	19
Net current-period other comprehensive income (loss)	1,633
Ending Balance at February 3, 2024	\$ 395

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

(b) Includes \$25 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was \$6. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

**THE CATO CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the year ended January 28, 2023:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at January 29, 2022	\$ (280)
Other comprehensive income (loss) before reclassification	(982)
Amounts reclassified from accumulated other comprehensive income (b)	24
Net current-period other comprehensive income (loss)	(958)
Ending Balance at January 28, 2023	\$ (1,238)

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

(b) Includes \$31 impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was \$7. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure:***

None.

**Item 9A. *Controls and Procedures:***

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as of February 3, 2024. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of February 3, 2024, our disclosure controls and procedures, as defined in Rule 13a-15(e), under the Securities Exchange Act of 1934 (the “Exchange Act”), were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management’s Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of February 3, 2024 based on the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of February 3, 2024.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of February 3, 2024, as stated in its report which is included herein.

**Changes in Internal Control Over Financial Reporting**

No change in the Company’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) has occurred during the Company’s fiscal quarter ended February 3, 2024 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

The Company’s management, including its Principal Executive Officer and Principal Financial Officer, does not expect our disclosure controls and procedures or internal controls to prevent all errors and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed

in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 9B. *Other Information:***

During the three months ended February 3, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a "Rule10b5-1 trading arrangement" or a "non-Rule10b5-1 trading arrangement" (as such terms are defined in Item 408 of Regulation S-K).

**Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections:***

None

## PART III

### Item 10. *Directors, Executive Officers and Corporate Governance:*

Information contained under the captions “Election of Directors,” “Meetings and Committees,” “Corporate Governance Matters” and “Delinquent Section 16(a) Reports” in the Registrant’s Proxy Statement for its 2024 annual stockholders’ meeting (the “2024 Proxy Statement”) is incorporated by reference in response to this Item 10. The information in response to this Item 10 regarding executive officers of the Company is contained in Item 3A, Part I hereof under the caption “Executive Officers of the Registrant.”

### Item 11. *Executive Compensation:*

Information contained under the captions “2023 Executive Compensation” (except for the information under the heading “Pay Versus Performance”), “Fiscal Year 2023 Director Compensation,” and “Corporate Governance Matters-Compensation Committee Interlocks and Insider Participation” in the Company’s 2024 Proxy Statement is incorporated by reference in response to this Item.

### Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters:*

#### Equity Compensation Plan Information

The following table provides information about stock options outstanding and shares available for future awards under all of the Company’s equity compensation plans. The information is as of February 3, 2024.

<u>Plan Category</u>	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (2)
Equity compensation plans approved by security holders	-	-	3,305,360
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	3,305,360

(1) There are no outstanding stock options, warrants or stock appreciation rights.

(2) Includes the following:

Under the Company’s stock incentive plan, referred to as the 2018 Incentive Compensation Plan, 3,147,393 shares are available for grant. Under this plan, non-qualified stock options may be granted to key associates.

Under the 2021 Employee Stock Purchase Plan, 157,967 shares are available. Eligible associates may participate in the purchase of designated shares of the Company’s common stock. The purchase price of this stock is equal to 85% of the lower of the closing price at the beginning or the end of each semi-annual stock purchase period.

Information contained under “Security Ownership of Certain Owners and Management” in the 2024 Proxy Statement is incorporated by reference in response to this Item.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence:***

Information contained under the caption “Certain Relationships and Related Person Transactions,” “Corporate Governance Matters-Director Independence” and “Meetings and Committees” in the 2024 Proxy Statement is incorporated by reference in response to this Item.

**Item 14. *Principal Accountant Fees and Services:***

Information contained under the captions “Ratification of Independent Registered Public Accounting Firm-Audit Fees” and “-Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services by the Independent Registered Public Accounting Firm” in the 2024 Proxy Statement is incorporated by reference in response to this Item.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules:

(a) The following documents are filed as part of this report:

(1) Financial Statements:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm .....	37
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022.....	40
Consolidated Balance Sheets at February 3, 2024 and January 28, 2023.....	41
Consolidated Statements of Cash Flows for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022 .....	42
Consolidated Statements of Stockholders' Equity for the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022.....	43
Notes to Consolidated Financial Statements.....	44
(2) Financial Statement Schedule: The following report and financial statement schedule is filed herewith:	
Schedule II — Valuation and Qualifying Accounts .....	75

All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related Notes thereto.

(3) Index to Exhibits: The following exhibits listed in the Index below are filed with this report or, as noted, incorporated by reference herein. The Company will supply copies of the following exhibits to any shareholder upon receipt of a written request addressed to the Corporate Secretary, The Cato Corporation, 8100 Denmark Road, Charlotte, NC 28273 and the payment of \$.50 per page to help defray the costs of handling, copying and postage. In most cases, documents incorporated by reference to exhibits to our registration statements, reports or proxy statements filed by the Company with the Securities and Exchange Commission are available to the public over the Internet from the SEC's web site at <http://www.sec.gov>.

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	<a href="#">Registrant's Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.</a>
3.2	<a href="#">Registrant's Amended and Restated By Laws, incorporated by reference to Exhibit 3.2 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.</a>
4.1	<a href="#">Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, incorporated by reference to Exhibit 4.1 to Form 10-K of the Registrant for the year ended February 1, 2020.</a>
10.1*	<a href="#">The Cato Corporation 2013 Employee Stock Purchase Plan (Amended and Restated as of April 1, 2021) incorporated by reference to Appendix A to 8-K of the Company filed on April 8, 2021(SEC file No. 333-25638).</a>
10.2*	<a href="#">2013 Incentive Compensation Plan, incorporated by reference to Exhibit 4.1 to Form S-8 of the Registrant filed May 31, 2013 (SEC file No. 333-188993).</a>
10.3*	<a href="#">2018 Incentive Compensation Plan, incorporated by reference to Exhibit 99.1 to Form S-8 of the Registrant filed June 1, 2018 (SEC file No. 333-225350).</a>
10.4*	<a href="#">Form of Agreement, dated as of August 29, 2003, between the Registrant and Wayland H. Cato, Jr., incorporated by reference to Exhibit 99(c) to Form 8-K of the Registrant filed on July 22, 2003.</a>
10.5*	<a href="#">Form of Agreement, dated as of August 29, 2003, between the Registrant and Edgar T. Cato, incorporated by reference to Exhibit 99(d) to Form 8-K of the Registrant filed on July 22, 2003.</a>
10.6*	<a href="#">Retirement Agreement between Registrant and Wayland H. Cato, Jr. dated August 29, 2003 incorporated by reference to Exhibit 10.1 to Form 10-Q of the Registrant for quarter ended August 2, 2003.</a>
10.7*	<a href="#">Retirement Agreement between Registrant and Edgar T. Cato dated August 29, 2003, incorporated by reference to Exhibit 10.2 to Form 10-Q of the Registrant for the quarter ended August 2, 2003.</a>
10.8*	<a href="#">Deferred Compensation Plan effective July 28, 2011, incorporated by reference to Exhibit 10.1 to Form 8-K of the Registrant filed on July 19, 2011.</a>
10.9*	<a href="#">Letter Agreement between the Registrant and Charles Knight dated as of January 4, 2022, incorporated by reference to Exhibit 10.1 to Form 8-K of the Registrant filed on January 6, 2022.</a>
10.10	<a href="#">Credit Agreement, dated as of May 19, 2022, among the Registrant, the guarantors party thereto, the banks party thereto and Wells Fargo Bank, National Association, as Agent, incorporated by reference to Exhibit 10.1 to Form 8-K of the Registrant filed May 20, 2022.</a>
10.11	<a href="#">First Amendment, dated as of June 6, 2022, to Credit Agreement, dated as of May 19, 2022, among the Registrant, the guarantors party hereto, the banks party thereto and Wells Fargo Bank, National Association, as Agent, incorporated by reference to Exhibit 10.1 to Form 10-Q of the Registrant for the quarter ended July 30, 2022.</a>
10.12	<a href="#">Second Amendment, dated as of August 9, 2023, to Credit Agreement, dated as of May 19 2022, among the Registrant, the banks party thereto and Wells Fargo Bank, National Association.</a>
10.13	<a href="#">Third Amendment, dated as of October 24, 2023, to Credit Agreement, dated as of May 19 2022, among the Registrant, the banks party thereto and Wells Fargo Bank, National Association.</a>
21.1**	<a href="#">Subsidiaries of Registrant.</a>
23.1**	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
31.1**	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.</a>
31.2**	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.</a>
32.1**	<a href="#">Section 1350 Certification of Chief Executive Officer.</a>



32.2**	<a href="#">Section 1350 Certification of Chief Financial Officer.</a>
97.1**	<a href="#">Registrant's Dodd-Frank Clawback Policy.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.1	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101.1**).

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\* Management contract or compensatory plan required to be filed under Item 15 of this report and Item 601 of Regulation S-K.

\*\* Filed or submitted electronically herewith.

**Item 16. Form 10-K Summary:**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Cato has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### The Cato Corporation

By /s/ JOHN P. D. CATO  
John P. D. Cato  
Chairman, President and  
Chief Executive Officer

By /s/ CHARLES D. KNIGHT  
Charles D. Knight  
Executive Vice President  
Chief Financial Officer

By /s/ JEFFREY R. SHOCK  
Jeffrey R. Shock  
Senior Vice President  
Controller

Date: March 27, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 27, 2024 by the following persons on behalf of the Registrant and in the capacities indicated:

/s/ JOHN P. D. CATO  
John P. D. Cato  
(President and Chief Executive Officer  
(Principal Executive Officer) and Director)

/s/ BAILEY W. PATRICK  
Bailey W. Patrick  
(Director)

/s/ CHARLES D. KNIGHT  
Charles D. Knight  
(Executive Vice President  
Chief Financial Officer (Principal Financial Officer))

/s/ THOMAS B. HENSON  
Thomas B. Henson  
(Director)

/s/ JEFFREY R. SHOCK  
Jeffrey R. Shock  
(Senior Vice President  
Controller (Principal Accounting Officer))

/s/ BRYAN F. KENNEDY III  
Bryan F. Kennedy III  
(Director)

/s/ THOMAS E. MECKLEY  
Thomas E. Meckley  
(Director)

/s/ D. HARDING STOWE  
D. Harding Stowe  
(Director)

/s/ THERESA J. DREW  
Theresa J. Drew  
(Director)

/s/ PAMELA L. DAVIES  
Pamela L. Davies  
(Director)

**VALUATION AND QUALIFYING ACCOUNTS**  
**(in thousands)**

	Allowance for Customer Credit Losses(a)	Self Insurance Reserves(b)
Balance at January 30, 2021	\$ 605	\$ 10,975
Additions charged to costs and expenses	485	13,464
Additions (reductions) charged to other accounts	98 (c)	(1,447)
Deductions	<u>(385)(d)</u>	<u>(14,721)</u>
Balance at January 29, 2022	\$ 803	\$ 8,271
Additions charged to costs and expenses	349	13,287
Additions (reductions) charged to other accounts	84 (c)	638
Deductions	<u>(475)(d)</u>	<u>(14,523)</u>
Balance at January 28, 2023	\$ 761	\$ 7,673
Additions charged to costs and expenses	578	16,063
Additions (reductions) charged to other accounts	72 (c)	467
Deductions	<u>(706)(d)</u>	<u>(15,075)</u>
Balance at February 3, 2024	<u>\$ 705</u>	<u>\$ 9,128</u>

- (a) Deducted from trade accounts receivable.  
(b) Reserve for Workers' Compensation, General Liability and Healthcare.  
(c) Recoveries of amounts previously written off.  
(d) Uncollectible accounts written off.

## SUBSIDIARIES OF THE REGISTRANT

<u>Name of Subsidiary</u>	<u>State of Incorporation/Organization</u>	<u>Name under which Subsidiary does Business</u>
CHW LLC	Delaware	CHW LLC
Providence Insurance Company, Limited	North Carolina	Providence Insurance Company, Limited
CatoSouth LLC	North Carolina	CatoSouth LLC
Cato of Texas L.P.	Texas	Cato of Texas L.P.
Cato Southwest, Inc.	Delaware	Cato Southwest, Inc.
CaDel LLC	Delaware	CaDel LLC
CatoWest LLC	Nevada	CatoWest LLC
Cedar Hill National Bank catocorp.com, LLC	A Nationally Chartered Bank Delaware	Cedar Hill National Bank catocorp.com, LLC
Cato Land Development, LLC	South Carolina	Cato Land Development, LLC
Cato WO LLC	North Carolina	Cato WO LLC
Cato Overseas Limited	A Hong Kong Company	Cato Overseas Limited
Cato Overseas Services Limited	A Hong Kong Company	Cato Overseas Services Limited
Shanghai Cato Overseas Business Consultancy Company, Limited	A China Company	Cato Shanghai Company, Limited
Cato Employee Services Management, LLC	Texas	Cato Employee Services Management, LLC
Cato Employee Services L.P.	Texas	Cato Employee Services L.P.
Fort Mill Land Development	North Carolina	Fort Mill Land Development
Cato of Florida, LLC	Florida	Cato of Florida, LLC
Cato of Georgia, LLC	Georgia	Cato of Georgia, LLC
Cato of Illinois, LLC	Illinois	Cato of Illinois, LLC
Cato of North Carolina, LLC	North Carolina	Cato of North Carolina, LLC
Ohio Cato Stores, LLC	Ohio	Ohio Cato Stores, LLC
Cato of South Carolina, LLC	South Carolina	Cato of South Carolina, LLC
Cato of Tennessee, LLC	Tennessee	Cato of Tennessee, LLC
Cato of Virginia, LLC	Virginia	Cato of Virginia, LLC
Cato Services Vietnam Company Limited	Vietnam	Cato Services Vietnam Company Limited

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-230843, 333-225350, 333-188990, 333-176511, and 333-256538) of The Cato Corporation of our report dated March 27, 2024 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Charlotte, North Carolina  
March 27, 2024

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO  
SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John P. D. Cato, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Cato Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 27, 2024

/s/ John P. D. Cato

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

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO  
SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles D. Knight, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Cato Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 27, 2024

/s/ Charles D. Knight

Charles D. Knight  
Executive Vice President  
Chief Financial Officer

**CERTIFICATION OF PERIODIC REPORT**

I, John P. D. Cato, Chairman, President and Chief Executive Officer of The Cato Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Annual Report on Form 10-K of the Company for the year ended February 3, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2024

/s/ John P. D. Cato

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



**CERTIFICATION OF PERIODIC REPORT**

I, Charles D. Knight, Executive Vice President, Chief Financial Officer of The Cato Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Annual Report on Form 10-K of the Company for the year ended February 3, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2024

/s/ Charles D. Knight

Charles D. Knight  
Executive Vice President  
Chief Financial Officer

**THE CATO CORPORATION**  
**DODD-FRANK CLAWBACK POLICY**

**Effective December 1, 2023**

The Board of Directors (the “Board”) of The Cato Corporation (the “Company”) has adopted this Dodd-Frank Clawback Policy (this “Policy”), effective as of December 1, 2023 (the “Effective Date”). The purpose of this Policy is to provide for the recoupment of certain incentive compensation pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in the manner required by Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated thereunder, and Section 303A.14 of the New York Stock Exchange Listed Company Manual (collectively, the “Dodd-Frank Rules”). Accordingly, this Policy shall be interpreted to be consistent with the Dodd-Frank Rules.

1. **Definitions.** For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) “**Accounting Restatement**” shall mean an accounting restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial restatements that is material to the previously issued financial statements (*i.e.*, a “Big R” restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (*i.e.*, a “little r” restatement).

(b) “**Affiliate**” shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(c) “**Clawback Eligible Incentive Compensation**” shall mean Incentive-Based Compensation Received by a Covered Executive (i) on or after the Effective Date, (ii) after beginning service as a Covered Executive, (iii) if such individual served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (irrespective of whether such individual continued to serve as a Covered Executive upon or following the Restatement Trigger Date), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

(d) “**Clawback Period**” shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Trigger Date and any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of at least nine months shall count as a completed fiscal year).

(e) “**Code**” shall mean the Internal Revenue Code of 1986, as amended.

(f) “**Company Group**” shall mean the Company and its Affiliates.

(g) “**Covered Executive**” shall mean any “executive officer” of the Company as defined under the Dodd-Frank Rules, and, for the avoidance of doubt, includes each individual identified as an executive officer of the Company in accordance with Item 401(b) of Regulation S-K under the Exchange Act.

(h) “**Erroneously Awarded Compensation**” shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts,

computed without regard to any taxes paid. With respect to any compensation plan or program that takes into account Incentive-Based Compensation, the amount contributed to a notional account that exceeds the amount that otherwise would have been contributed had it been determined based on the restated amount, computed without regard to any taxes paid, shall be considered Erroneously Awarded Compensation, along with earnings accrued on that notional amount.

(i) **“Financial Reporting Measures”** shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a measure need not be presented in the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission (the “SEC”) in order to be considered a Financial Reporting Measure.

(j) **“Incentive-Based Compensation”** shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(k) **“NYSE”** shall mean the New York Stock Exchange.

(l) **“Received”** shall mean the deemed receipt of Incentive-Based Compensation. Incentive-Based Compensation shall be deemed received for this purpose in the Company’s fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

(m) **“Restatement Trigger Date”** shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer(s) of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

**2. Administration.** This Policy shall be administered by the Compensation Committee of the Board (the “Compensation Committee”). The Compensation Committee has full and final authority to interpret and construe this Policy and to make to make all determinations under this Policy, in each case to the extent permitted under the Dodd-Frank Rules and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Compensation Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its Affiliates, its shareholders and all Covered Executives. Any action or inaction by the Compensation Committee with respect to a Covered Executive under this Policy in no way limits the Compensation Committee’s actions or decisions not to act with respect to any other Covered Executive under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Covered Executive other than as set forth in this Policy.

**3. Recoupment of Erroneously Awarded Compensation.** Upon the occurrence of a Restatement Trigger Date, the Company shall recoup Erroneously Awarded Compensation reasonably promptly, in the manner described below. For the avoidance of doubt, the Company’s obligation to recover Erroneously Awarded Compensation under this Policy is not dependent on if or when restated financial statements are filed following the Restatement Trigger Date.

(a) **Process.** The Compensation Committee shall use the following process for recoupment:

(i) First, the Compensation Committee will determine the amount of any Erroneously Awarded Compensation for each Covered Executive in connection with such Accounting Restatement. For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Compensation Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the NYSE).

(ii) Second, the Compensation Committee will provide each affected Covered Executive with a written notice stating the amount of the Erroneously Awarded Compensation, a demand for recoupment, and the means of recoupment that the Company will accept.

(b) **Means of Recoupment.** The Compensation Committee shall have discretion to determine the appropriate means of recoupment of Erroneously Awarded Compensation, which may include without limitation: (i) recoupment of cash or shares of Company stock, (ii) forfeiture of unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions), (iii) cancellation of outstanding vested cash or equity awards (including those for which service-based and/or performance-based vesting conditions have been satisfied), (iv) to the extent consistent with Section 409A of the Code, offset of other amounts owed to the Covered Executive or forfeiture of deferred compensation, (v) reduction of future compensation, and (vi) any other remedial or recovery action permitted by law. Notwithstanding the foregoing, the Company Group makes no guarantee as to the treatment of such amounts under Section 409A of the Code, and shall have no liability with respect thereto. Except as set forth in Section 3(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive's obligations hereunder.

(c) **Failure to Repay.** To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 3(a) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recoup such Erroneously Awarded Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recouping such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) **Exceptions.** Notwithstanding anything herein to the contrary, the Company shall not be required to recoup Erroneously Awarded Compensation if one of the following conditions is met and the Compensation Committee determines that recoupment would be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Executive would exceed the amount to be recouped, after the Company has made a reasonable attempt to recoup the applicable Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the NYSE;

(ii) Recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the NYSE, that recoupment would result in such a violation and a copy of the opinion is provided to the NYSE; or

(iii) Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

4. **Reporting and Disclosure.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Dodd-Frank Rules.
5. **Indemnification Prohibition.** No member of the Company Group shall be permitted to indemnify any current or former Covered Executive against (i) the loss of any Erroneously Awarded Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. The Company may not pay or reimburse any Covered Executive for the cost of third-party insurance purchased by a Covered Executive to fund potential recoupment obligations under this Policy.
6. **Acknowledgment.** Each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A, pursuant to which such Covered Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, the Policy, whether or not such Covered Executive has executed and returned such acknowledgment form to the Company.
7. **Amendment; Termination.** The Compensation Committee may amend or terminate this Policy from time to time in its discretion, including to comply with (or maintain an exemption from the application of) Section 409A of the Code or as and when it determines that it is legally required to do so by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.
8. **Other Recoupment Rights.** The Compensation Committee intends that this Policy be applied to the fullest extent of the law and be interpreted in a manner consistent with the Dodd-Frank Rules. To the extent the Dodd-Frank Rules require recovery of incentive-based compensation in additional circumstances beyond those specified above, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover incentive-based compensation to the fullest extent required by the Dodd-Frank Rules. In addition, the Compensation Committee may require that any employment agreement, equity award, cash incentive award, or any other agreement entered into on or after the Effective Date be conditioned upon the Covered Executive's agreement to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group, whether arising under applicable law, regulation or rule, pursuant to the terms of any other policy of the Company Group, pursuant to any employment agreement, equity award, cash incentive award, or other agreement applicable to a Covered Executive, or otherwise (the "Separate Clawback Rights"). Notwithstanding the foregoing, there shall be no duplication of recovery of the same Erroneously Awarded Compensation under this Policy and the Separate Clawback Rights, unless required by applicable law.
9. **Successors.** This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.
10. **Governing Law; Venue.** This Policy and all rights and obligations hereunder are governed by and construed in accordance with the internal laws of the State of North Carolina, excluding any choice of law rules or principles that may direct the application of the laws of another jurisdiction. All actions arising out of or relating to this Policy shall be heard and determined exclusively in the district court of the State of North Carolina located in the county in which the Company's principal executive offices are located or, if such court declines to exercise jurisdiction or if subject matter jurisdiction over the matter that is the subject of any such legal action or proceeding is vested exclusively in the U.S. federal courts, the U.S. District Court for the Middle District of North Carolina.
11. **Exhibit Filing Requirement.** This Policy and any amendments hereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.
12. **Severability.** The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision shall be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

**Exhibit A**

**THE CATO CORPORATION  
DODD-FRANK CLAWBACK POLICY  
ACKNOWLEDGEMENT FORM**

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of The Cato Corporation Dodd-Frank Clawback Policy (the "**Policy**"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "**Acknowledgement Form**") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group reasonably promptly to the extent required by, and in a manner permitted by, the Policy, as determined by the Compensation Committee of the Company's Board of Directors in its sole discretion, as well as the choice of law and exclusive venue provisions set forth in the Policy.

Notwithstanding the provisions of the Company's Amended and Restated Bylaws, as may be amended, or any agreement between the undersigned and the Company providing for indemnification by the Company of the undersigned, the undersigned agrees and acknowledges that the undersigned shall not be entitled to any indemnification by the Company or any of its Affiliates thereunder, including any advancement of expenses, in respect of any action, suit or proceeding by or against the Company or any of its Affiliates regarding the recovery from the undersigned of Erroneously Awarded Compensation pursuant to the Policy.

The undersigned acknowledges and agrees that the undersigned's execution and delivery of this Acknowledgement Form is a condition to the receipt by the undersigned of any Incentive-Based Compensation after the Effective Date.

Sign: \_\_\_\_\_  
Name: [Associate]

Date: \_\_\_\_\_

