

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

Form 8-K

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

Date of Report (Date of earliest event reported): November 19, 2020

THE CATO CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-31340
(Commission
File Number)

56-0484485
(IRS Employer
Identification No.)

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

28273-5975
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On November 19, 2020, The Cato Corporation issued a press release regarding its financial results for the third quarter ending October 31, 2020. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued November 19, 2020](#)

[Exhibit 104 – Cover Page Interactive Data File \(embedded within Inline XBRL document\)](#)

Signatures

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

THE CATO CORPORATION

November 20, 2020

Date

/s/ John P. D. Cato

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

November 20, 2020

Date

/s/ John R. Howe

John R. Howe
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
<u>Exhibit 99.1 - Press Release issued November 19, 2020</u>	99.1
<u>Exhibit 104 – Cover Page Interactive Data File (embedded within Inline XBRL document)</u>	104



The CATO Corporation

EXHIBIT 99.1

NEWS RELEASE

FOR IMMEDIATE RELEASE

For Further Information Contact:

John R. Howe
Executive Vice President
Chief Financial Officer
704-551-7315

CATO REPORTS 3Q NET LOSS

CHARLOTTE, N.C. (November 19, 2020) — The Cato Corporation (NYSE: CATO) today reported a net loss of \$3.6 million or (\$0.15) per diluted share for the third quarter ended October 31, 2020, compared to net income of \$6.0 million or \$0.24 per diluted share for the third quarter ended November 2, 2019. Sales for the third quarter were \$149.2 million, or a decrease of 21% from sales of \$189.4 million for the third quarter ended November 2, 2019. The Company's same-store sales for the quarter decreased 23% to the same period last year.

As previously announced, Cato closed all stores due to the COVID-19 pandemic beginning March 19, 2020. On May 1, 2020, the Company began reopening stores in a phased approach, with limited operating hours, consistent with local health and safety guidelines and regulations. As of June 15, 2020, all stores had reopened.

For the nine months ended October 31, 2020, the Company reported a net loss of \$39.2 million or (\$1.64) per diluted share, compared to net income of \$39.1 million or \$1.59 per diluted share for the nine months ended November 2, 2019. Sales for the nine months ended October 31, 2020 were \$414.3 million, down 34% to sales of \$627.8 million for the nine months ended November 2, 2019. Year-to-date same-store sales decreased 35%.

“Sales in the third quarter reflected continued softening of customer demand as COVID-19 cases continued to rise throughout our market areas and many people still have not returned to work. As we see this trend continuing, we anticipate that the remainder of the year will be challenging,” stated John Cato, Chairman, President, and Chief Executive Officer. “We appreciate our store associates’ diligence in providing a safe shopping environment and our customers' patience as we continue our

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enhanced cleaning and product handling procedures to make our stores as safe as possible in light of the COVID-19 pandemic.”

For the quarter, gross margin decreased to 26.7% from 37.4% of sales the prior year due to a reduction in merchandise contribution, combined with the effects of deleveraging from the sales decline. SG&A expenses as a percent of sales increased to 34.8% from 34.2% during the quarter primarily due to the effects of deleveraging, and an impairment charge of \$2.3 million, partially offset by company-wide expense reductions and reduction of incentive compensation compared to prior year. A pre-tax loss and the beneficial effects of the CARES Act resulted in \$9.7 million of tax benefit versus \$0.1 million of expense in the prior year. The Company ended the quarter with unrestricted cash and short-term investments of \$151.4 million and full availability of its \$35 million revolving line of credit.

Year-to-date gross margin decreased to 21.4% of sales from 38.7% the prior year primarily due to a reduction in merchandise contribution combined with the effects of deleveraging resulting from the sales decline. The year-to-date SG&A rate was 35.8% versus 31.2% last year primarily due to the effects of deleveraging and impairment charges of \$7.6 million, partially offset by company-wide expense reductions and the reduction of incentive compensation. Income tax benefit for the nine months was \$22.7 million compared to an expense of \$6.5 million last year.

During the third quarter ended October 31, 2020, the Company opened 16 new stores, which had leases prior to the COVID-19 pandemic and permanently closed 2 stores. As of October 31, 2020, the Company operated 1,347 stores in 33 states, compared to 1,298 stores in 31 states as of August 3, 2019.

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

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

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THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED OCTOBER 31, 2020 AND NOVEMBER 2, 2019

(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>October 31, 2020</u>	<u>November 2, 2019</u>	<u>October 31, 2020</u>	<u>November 2, 2019</u>
	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>	<u>Sales</u>
REVENUES				
Retail sales	\$ 149,205	\$ 189,357	\$ 414,283	\$ 627,780
Other revenue (principally finance, late fees and layaway charges)	1,586	2,166	5,410	6,676
Total revenues	<u>150,791</u>	<u>191,523</u>	<u>419,693</u>	<u>634,456</u>
GROSS MARGIN (Memo)	39,801	70,733	88,545	242,701
COSTS AND EXPENSES, NET				
Cost of goods sold	109,404	118,624	325,738	385,079
Selling, general and administrative	51,885	64,681	148,353	196,737
Depreciation	3,619	3,844	11,113	11,523
Interest and other income	(791)	(1,662)	(3,603)	(4,491)
Cost and expenses, net	<u>164,117</u>	<u>185,487</u>	<u>481,601</u>	<u>588,848</u>
Income (Loss) Before Income Tax	(13,326)	6,036	(61,908)	45,608
Income Tax (Benefit)/Expense	(9,704)	51	(22,698)	6,501
Net Income (Loss)	<u>\$ (3,622)</u>	<u>\$ 5,985</u>	<u>\$ (39,210)</u>	<u>\$ 39,107</u>
Basic Earnings Per Share	<u>\$ (0.15)</u>	<u>\$ 0.24</u>	<u>\$ (1.64)</u>	<u>\$ 1.59</u>
Diluted Earnings Per Share	<u>\$ (0.15)</u>	<u>\$ 0.24</u>	<u>\$ (1.64)</u>	<u>\$ 1.59</u>

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THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

October 31, February 1,
2020 2020
(Unaudited) (Unaudited)

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 18,812	\$ 11,824
Short-term investments	132,574	200,387
Restricted cash	3,917	3,896
Accounts receivable - net	47,725	26,088
Merchandise inventories	84,281	115,365
Other current assets	<u>7,185</u>	<u>5,237</u>
Total Current Assets	294,494	362,797
Property and Equipment – net	81,853	88,667
Noncurrent Deferred Income Taxes	7,464	8,636
Other Assets	22,722	24,073
Right-of-Use Assets, net	<u>184,338</u>	<u>200,803</u>
TOTAL	<u>\$ 590,871</u>	<u>\$ 684,976</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	\$ 122,489	\$ 136,153
Current Lease Liability	54,250	63,149
Noncurrent Liabilities	19,799	21,976
Lease Liability	138,196	147,184
Stockholders' Equity	<u>256,137</u>	<u>316,514</u>
TOTAL	<u>\$ 590,871</u>	<u>\$ 684,976</u>

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