

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 21, 2018

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, NC
(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))

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 20, 2018, The Cato Corporation issued a press release regarding its financial results for the third quarter ending November 3, 2018. 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 20, 2018.](#)

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 21, 2018

Date

/s/ John P. D. Cato

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

November 21, 2018

Date

/s/ John R. Howe

John R. Howe
Executive Vice President
Chief Financial Officer

Exhibit Index

Exhibit

Exhibit No.

[Press Release issued November 20, 2018.](#)

99.1

EXHIBIT 99.1

The CATO Corporation

FOR IMMEDIATE RELEASE

For Further Information Contact:

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

NEWS RELEASE

CEO Approval _____

CATO REPORTS 3Q EPS of \$0.16

Charlotte, NC (November 20, 2018) – The Cato Corporation (NYSE: CATO) today reported net income of \$3.8 million for the third quarter ended November 3, 2018, compared to net income of \$2.7 million for the third quarter ended October 28, 2017. Earnings per diluted share for the third quarter were \$0.16, compared to \$0.11 last year. Sales for the third quarter ended November 3, 2018 were \$187.9 million, flat compared to sales of \$188.4 million for the third quarter ended October 28, 2017. Same-store sales for the quarter increased 1% to last year.

“While we had positive same-store sales and better merchandise margins than last year due to lower markdown sales the results, excluding favorable litigation settlements, did not meet our expectations,” stated John Cato, Chairman, President, and Chief Executive Officer. “Also, given our weakening sales trend, we now expect fourth quarter results to be well below our expectations.”

For the nine months ended November 3, 2018, the Company earned net income of \$33.7 million, compared to net income of \$24.0 million for the nine months ended October 28, 2017. Earnings per diluted share were \$1.36 compared to \$0.93 last year. Sales for the nine months ended November 3, 2018 were \$630.8 million, flat compared to sales of \$631.0 million for the nine months ended October 28, 2017. Year-to-date same-store sales increased 1% to last year.

For the quarter, the gross margin rate increased to 34.5% of sales from 33.9% last year, primarily due to higher merchandise margins and lower buying, distribution and occupancy expenses. The SG&A rate for the quarter decreased slightly to 32.9% from 33.0% last year primarily due to favorable litigation settlements offset by higher incentive compensation. Income tax for the quarter was a benefit of \$1.3 million compared to a benefit of \$2.8 million last year. The company ended the quarter with cash and short-term investments of \$213.7 million.

Year-to-date, the gross margin rate increased to 37.4% of sales from 34.8% the prior year primarily due to higher merchandise margins and lower buying, distribution and occupancy expenses. The year-to-date SG&A rate increased to 31.2% from 30.1% last year primarily due to higher incentive compensation and insurance costs offset by favorable litigation settlements. Income tax for the year was an expense of \$2.9 million compared to a benefit of \$0.3 million last year.

As of November 3, 2018, the Company operated 1,350 stores in 33 states, compared to 1,370 stores in 33 states as of October 28, 2017.

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

Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected or estimated operational and financial results 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, the following: any actual or perceived deterioration in the conditions that drive consumer confidence and spending, including, but not limited to, levels of unemployment, fuel, energy and food costs, wage rates, tax rates, home values, consumer net worth and the availability of credit; 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; adverse weather 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 NOVEMBER 3, 2018 AND OCTOBER 28, 2017
(Dollars in thousands, except per share data)

	Quarter Ended				Nine Months Ended			
	November 3,		October 28,		November 3,		October 28,	
	2018	% Sales	2017	% Sales	2018	% Sales	2017	% Sales
REVENUES								
Retail sales	\$ 187,892	100.0%	\$ 188,368	100.0%	\$ 630,765	100.0%	\$ 631,049	100.0%
Other revenue (principally finance, late fees and layaway charges)	2,120	1.1%	1,905	1.0%	6,464	1.0%	5,926	0.9%
Total revenues	<u>190,012</u>	<u>101.1%</u>	<u>190,273</u>	<u>101.0%</u>	<u>637,229</u>	<u>101.0%</u>	<u>636,975</u>	<u>100.9%</u>
GROSS MARGIN (Memo)	64,878	34.5%	63,906	33.9%	235,663	37.4%	219,546	34.8%
COSTS AND EXPENSES, NET								
Cost of goods sold	123,014	65.5%	124,462	66.1%	395,102	62.6%	411,503	65.2%
Selling, general and administrative	61,765	32.9%	62,100	33.0%	196,616	31.2%	190,162	30.1%
Depreciation	4,094	2.2%	5,047	2.7%	12,470	2.0%	14,989	2.4%
Interest and other income	(1,374)	-0.7%	(1,200)	-0.6%	(3,559)	-0.6%	(3,472)	-0.6%
Cost and expenses, net	<u>187,499</u>	<u>99.8%</u>	<u>190,409</u>	<u>101.1%</u>	<u>600,629</u>	<u>95.2%</u>	<u>613,182</u>	<u>97.2%</u>
Income Before Income Taxes	2,513	1.3%	(136)	-0.1%	36,600	5.8%	23,793	3.8%
Income Tax Expense	(1,287)	-0.7%	(2,830)	-1.5%	2,907	0.5%	(252)	0.0%
Net Income	<u>\$ 3,800</u>	<u>2.0%</u>	<u>\$ 2,694</u>	<u>1.4%</u>	<u>\$ 33,693</u>	<u>5.3%</u>	<u>\$ 24,045</u>	<u>3.8%</u>
Basic Earnings Per Share	<u>\$ 0.16</u>		<u>\$ 0.11</u>		<u>\$ 1.36</u>		<u>\$ 0.93</u>	
Diluted Earnings Per Share	<u>\$ 0.16</u>		<u>\$ 0.11</u>		<u>\$ 1.36</u>		<u>\$ 0.93</u>	

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	November 3, 2018 (Unaudited)	February 3, 2018 (Unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 26,668	\$ 78,047
Short-term investments	183,241	118,836
Restricted cash	3,768	3,722
Accounts receivable - net	37,016	28,018
Merchandise inventories	113,046	121,535
Other current assets	<u>11,195</u>	<u>22,322</u>
Total Current Assets	374,934	372,480
Property and equipment – net	99,308	109,368
Noncurrent Deferred Income Taxes	11,155	12,570
Other assets	<u>21,496</u>	<u>21,658</u>
TOTAL	<u>\$ 506,893</u>	<u>\$ 516,076</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
	\$ 138,113	\$ 139,081
Noncurrent Liabilities	42,580	50,642
Stockholders' Equity	<u>326,200</u>	<u>326,353</u>
TOTAL	<u>\$ 506,893</u>	<u>\$ 516,076</u>

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