



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

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**Form 8-K**

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

Date of Report (Date of earliest event reported): March 14, 2006

**THE CATO CORPORATION**

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(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction  
of Incorporation)

1-31340

(Commission  
File Number)

56-0484485

(I.R.S. Employer  
Identification Number)

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 (see General Instruction A.2. below):

- 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))

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On March 14, 2006, The Cato Corporation issued a press release regarding its financial results for the fourth quarter ending January 28, 2006. A copy of this press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1 — Press Release issued March 14, 2006

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 hereunto duly authorized.

THE CATO CORPORATION

March 23, 2006  
\_\_\_\_\_  
Date

/s/ John P. D. Cato  
\_\_\_\_\_  
John P. D. Cato  
Chairman, President and  
Chief Executive Officer

March 23, 2006  
\_\_\_\_\_  
Date

/s/ Robert M. Sandler  
\_\_\_\_\_  
Robert M. Sandler  
Senior Vice President  
Controller

Exhibit Index

Exhibit

Press Release issued March 14, 2006

Exhibit No.

99.1



**FOR IMMEDIATE RELEASE**

**NEWS RELEASE**

**CEO Approval \_\_\_\_\_**

For Further Information Contact:

Stuart L. Uselton  
Vice President  
Treasurer  
704-940-7832

**CATO REPORTS 4Q EPS UP 42%  
FULL YEAR EPS UP 27%  
Provides 2006 Outlook**

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Charlotte, NC (March 14, 2006) — The Cato Corporation (NYSE: CTR) today reported net income for the fourth quarter and year ended January 28, 2006. For the fourth quarter 2005, net income was \$11.6 million or \$.37 per diluted share. Fourth quarter 2005 net income increased 44% and earnings per diluted share increased 42% versus fourth quarter 2004. Full year 2005 net income was \$44.8 million or \$1.41 per diluted share. Full year 2005 net income increased 29% and earnings per diluted share increased 27% versus 2004.

Sales for the fourth quarter were \$220.5 million, as compared to sales of \$207.9 million for the fourth quarter last year. Total sales for the fourth quarter increased 6% and comparable store sales increased 2%. Sales for the year were \$821.6 million as compared to 2004 sales of \$773.8 million. For the year, total sales increased 6% and comparable store sales increased 1%.

"The increase in our 2005 results was primarily driven by better margins," said John Cato, Chairman, President and Chief Executive Officer. "In 2006 we will continue to grow our business by executing our long term strategies of improving the merchandise and customer service, strengthening the infrastructure, and expanding the store base."

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## **2005 HIGHLIGHTS**

For 2005, gross margin increased 180 basis points to 33.4% of sales; selling, general and administrative expenses increased 50 basis points to 24.7% of sales primarily due to increased incentive compensation; and net income increased to 5.5% of sales.

During 2005, the Company:

- Returned \$15.9 million in dividends to shareholders. The Company's annualized dividend of \$.52 per share increased 11% in 2005, representing a yield of approximately 2.5% at the current share price;
- Repaid a \$30 million term loan two and a half years early and ended the year with over \$107 million in cash and short term investments; and
- Continued its geographic expansion by opening 82 stores and relocating 16 stores. The Company closed 15 stores.

## **2006 OUTLOOK**

The Company estimates comparable store sales to be in the range of flat to up 2% for the full year 2006 and the first quarter. The Company estimates 2006 net income to be in the range of \$46.4 to \$49.3 million, an increase of 4% to 10%, and 2006 earnings per diluted share to be in the range of \$1.46 to \$1.55, an increase of 4% to 10%. The Company is projecting first quarter net income in the range of \$17.6 to \$18.4 million, a 4% decrease to flat to 2005, and earnings per diluted share to be in the range of \$.55 to \$.58, a 5% decrease to flat to 2005.

- The Company expects to open 90 new stores during the year. The Company's estimate reflects the impact of closing 10 stores by year-end. At this time, two stores have been closed, but no other stores have been identified for closure.
- Capital expenditures are projected to be \$45 million, including \$15 million for store development and \$27 million for technology. Expected technology investments include the completion of the point of sale system begun in 2005 and other store improvements.
- Depreciation is expected to be \$22.2 million for the year.
- The effective tax rate is expected to be 36.5%.

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The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel operating two divisions: "Cato" and "It's Fashion!". The Company offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, every day. As of January 28, 2006, the Company operated 1,244 stores in 31 states, compared to 1,177 stores in 29 states as of January 29, 2005. Additional information on The Cato Corporation is available at [www.catocorp.com](http://www.catocorp.com).

*Statements in this press release not historical in nature including, without limitation, statements regarding the Company's expected financial results for fiscal 2006 and the first quarter of 2006, including various components of net income, comparable store sales, expected capital expenditures, and store openings and closings 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: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions, and inventory risks due to shifts in market demand. 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 JANUARY 28, 2006 AND JANUARY 29, 2005**  
(Dollars in thousands, except per share data)

	Quarter Ended				Twelve Months Ended			
	January 28, 2006	% Sales	January 29, 2005	% Sales	January 28, 2006	% Sales	January 29, 2005	% Sales
<b>REVENUES</b>								
Retail sales	\$ 220,497	100.0%	\$ 207,937	100.0%	\$ 821,639	100.0%	\$ 773,809	100.0%
Other income (principally finance, late fees and layaway charges)	3,639	1.6%	4,068	2.0%	14,742	1.8%	15,795	2.0%
Total revenues	<u>224,136</u>	<u>101.6%</u>	<u>212,005</u>	<u>102.0%</u>	<u>836,381</u>	<u>101.8%</u>	<u>789,604</u>	<u>102.0%</u>
<b>GROSS MARGIN (Memo)</b>	<b>70,271</b>	<b>31.9%</b>	<b>63,244</b>	<b>30.4%</b>	<b>274,684</b>	<b>33.4%</b>	<b>244,893</b>	<b>31.6%</b>
<b>COSTS AND EXPENSES, NET</b>								
Cost of goods sold	150,226	68.1%	144,693	69.6%	546,955	66.6%	528,916	68.4%
Selling, general and administrative	51,828	23.5%	50,100	24.1%	203,156	24.7%	187,618	24.2%
Depreciation	5,118	2.3%	5,187	2.5%	20,275	2.5%	20,397	2.6%
Interest expense	10	0.0%	205	0.1%	183	0.0%	717	0.1%
Interest and other income	(1,316)	-0.6%	(901)	-0.4%	(4,563)	-0.6%	(2,739)	-0.4%
Cost and expenses, net	<u>205,866</u>	<u>93.3%</u>	<u>199,284</u>	<u>95.9%</u>	<u>766,006</u>	<u>93.2%</u>	<u>734,909</u>	<u>94.9%</u>
Income Before Income Taxes	18,270	8.3%	12,721	6.1%	70,375	8.6%	54,695	7.1%
Income Tax Expense	6,632	3.0%	4,618	2.2%	25,546	3.1%	19,854	2.6%
Net Income	<u>\$ 11,638</u>	<u>5.3%</u>	<u>\$ 8,103</u>	<u>3.9%</u>	<u>\$ 44,829</u>	<u>5.5%</u>	<u>\$ 34,841</u>	<u>4.5%</u>
Basic Earnings Per Share	<u>\$ 0.37</u>		<u>\$ 0.26</u>		<u>\$ 1.44</u>		<u>\$ 1.13</u>	
Basic Weighted Average Shares	<u>31,049,631</u>		<u>31,008,396</u>		<u>31,117,214</u>		<u>30,876,393</u>	
Diluted Earnings Per Share	<u>\$ 0.37</u>		<u>\$ 0.26</u>		<u>\$ 1.41</u>		<u>\$ 1.11</u>	
Diluted Weighted Average Shares	<u>31,708,829</u>		<u>31,681,293</u>		<u>31,789,887</u>		<u>31,478,061</u>	

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

	January 28, 2006 (Unaudited)	January 29, 2005
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 21,734	\$ 18,640
Short-term investments	86,085	88,588
Accounts receivable — net	49,644	50,889
Merchandise inventories	103,370	100,538
Other current assets	10,844	7,767
Total Current Assets	<u>271,677</u>	<u>266,422</u>
Property and Equipment — net	124,104	117,590
Other Assets	10,855	10,122
TOTAL	<u>\$ 406,636</u>	<u>\$ 394,134</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
	\$ 132,563	\$ 132,631
Noncurrent Liabilities		
	34,125	34,328
Long Term Debt	0	16,000
Stockholders' Equity	<u>239,948</u>	<u>211,175</u>
TOTAL	<u>\$ 406,636</u>	<u>\$ 394,134</u>