

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): August 19, 2021

THE CATO CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-31340
(Commission
File Number)

56-0484485
(IRS Employer
Identification No.)

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

28273-5975
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition.

On August 19, 2021, The Cato Corporation issued a press release regarding its financial results for the second quarter ending July 31, 2021. A copy of this press release is furnished as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued August 19, 2021](#)

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

Signatures

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

THE CATO CORPORATION

August 20, 2021

Date

/s/ John P. D. Cato

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

August 20, 2021

Date

/s/ John R. Howe

John R. Howe
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
<u>Exhibit 99.1 - Press Release issued August 19, 2021</u>	99.1
<u>Exhibit 104 – Cover Page Interactive Data File (embedded within Inline XBRL document)</u>	104



The CATO Corporation

EXHIBIT 99.1

NEWS RELEASE

FOR IMMEDIATE RELEASE

For Further Information Contact:

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

CATO REPORTS 2Q NET INCOME

CHARLOTTE, N.C. (August 19, 2021) — The Cato Corporation (NYSE: CATO) today reported net income of \$14.0 million or \$0.62 per diluted share for the second quarter ended July 31, 2021, compared to a net loss of \$7.2 million or (\$0.30) per diluted share for the second quarter ended August 1, 2020.

Sales for fiscal 2020 were significantly impacted by the closure of our stores for six weeks due to the COVID-19 pandemic, beginning March 19, 2020. Due to the impact of the unprecedented closures, the Company will report sales compared to the past two years. Sales for the second quarter ended July 31, 2021 were \$206.0 million, or an increase of 24% from sales of \$166.3 million for the second quarter ended August 1, 2020. Compared to the same period in 2019, sales decreased 2% from sales of \$210.4 million for the quarter ended August 3, 2019. The Company's same-store sales for the quarter increased 23% compared to 2020 and decreased 5% when compared to the same period in 2019.

For the six months ended July 31, 2021, the Company reported net income of \$34.7 million or \$1.54 per diluted share, compared to a net loss of \$35.6 million or (\$1.48) per diluted share for the six months ended August 1, 2020. Sales for the six months ended July 31, 2021 were \$417.2 million, an increase of 57% to sales of \$265.1 million for the six months ended August 1, 2020. Compared to the same period in 2019, sales decreased 5% from sales of \$438.4 million for the six months ended August 3, 2019. Year-to-date same-store sales increased 56% to 2020 and decreased 7% compared to the same period in 2019.

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

“Our sales were favorably impacted during the first half of the year by increased vaccination availability coupled with pent-up demand, an increase in social events, summer vacation travel and anticipated return to work for many customers, but were tempered by late merchandise shipments driven by continued supply chain disruptions,” stated John Cato, Chairman, President, and Chief Executive Officer. “We anticipate seeing some impact to the business due to increased COVID cases, however we do not expect to see the same level of impact to the business as experienced in 2020.”

Gross margin increased from 20.2% to 43.9% of sales in the quarter due to higher merchandise margins. SG&A expenses as a percent of sales increased from 26.4% to 34.5% of sales during the quarter primarily due to increased employee benefit/bonus expense and store operating expenses as operating hours have increased substantially compared to prior year’s phased store reopening following the extended store closure due to COVID. Tax expense for the quarter was \$4.6 million versus a \$3.9 million benefit in the prior year due to the pre-tax loss. The Company ended the quarter with unrestricted cash and short-term investments of \$216.9 million. This compares with \$137.0 million for the same period in 2020.

Year-to-date gross margin increased to 42.6% of sales from 18.4% the prior year primarily due to increased merchandise margins. The year-to-date SG&A rate was 32.2% versus 36.4% primarily due to leveraging of expenses as a result of normalized sales and a \$5.3 million non-cash impairment charge in the prior year, partially offset by higher employee benefit/bonus expense and store operating expenses. Income tax expense for the first half was \$7.6 million versus a \$13.0 million benefit last year.

As of July 31, 2021, the Company has 1,325 stores in 32 states, compared to 1,333 stores in 31 states as of August 1, 2020.

“As infections continue to increase both abroad and within the US, we have temporarily reinstated our mask policy for associates in our stores, DC and Home Office, regardless of vaccination status,” Mr. Cato said. “As always, our associates’ and customers’ safety remains foremost in our minds as we continue to navigate this challenging retail environment and strive to offer our customers a safe place to shop.”

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

As COVID infections continue to rise as a result of the Delta variant, there remains a high level of uncertainty as to the impact COVID will have on the second half of the year. Additionally, the continued impact of the supply chain disruption still remains a concern. In light of these uncertainties, we remain cautiously optimistic about the remainder of the year.

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 that express a belief, expectation or intention, as well as those that are not a historical fact, including, without limitation, statements regarding the Company’s expected or estimated operational financial results, activities or opportunities, and potential impacts and effects 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 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 the 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

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

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.

###

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED JULY 31, 2021 AND AUGUST 1, 2020

(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>July 31, %</u> <u>2021 Sales</u>	<u>August 1, %</u> <u>2020 Sales</u>	<u>July 31, %</u> <u>2021 Sales</u>	<u>August 1, %</u> <u>2020 Sales</u>
REVENUES				
Retail sales	\$ 205,961 100.0%	\$ 166,263 100.0%	\$ 417,196 100.0%	\$ 265,078 100.0%
Other revenue (principally finance, late fees and layaway charges)	1,784 0.9%	1,905 1.1%	3,635 0.9%	3,824 1.4%
Total revenues	207,746 100.9%	168,170 101.1%	420,831 100.9%	268,902 101.4%
GROSS MARGIN (Memo)	90,375 43.9%	33,529 20.2%	177,934 42.6%	48,745 18.4%
COSTS AND EXPENSES, NET				
Cost of goods sold	115,587 56.1%	132,736 79.8%	239,262 57.4%	216,333 81.6%
Selling, general and administrative	70,984 34.5%	43,957 26.4%	134,221 32.2%	96,468 36.4%
Depreciation	3,137 1.5%	3,488 2.1%	6,179 1.5%	7,494 2.8%
Interest and other income	(515) -0.3%	(961) -0.6%	(1,178) -0.3%	(2,812) -1.1%
Cost and expenses, net	189,193 91.9%	179,220 107.8%	378,484 90.7%	317,483 119.8%
Income (Loss) Before Income Taxes	18,553 9.0%	(11,050) -6.6%	42,347 10.2%	(48,581) -18.3%
Income Tax (Benefit)/Expense	4,561 2.2%	(3,880) -2.3%	7,642 1.8%	(12,994) -4.9%
Net Income (Loss)	\$ 13,992 6.8%	\$ (7,170) -4.3%	\$ 34,705 8.3%	\$ (35,587) -13.4%
Basic Earnings Per Share	\$ 0.62	\$ (0.30)	\$ 1.54	\$ (1.48)
Diluted Earnings Per Share	\$ 0.62	\$ (0.30)	\$ 1.54	\$ (1.48)

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	July 31, 2021	January 30, 2021
	(Unaudited)	(Unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 25,354	\$ 17,510
Short-term investments	191,520	126,416
Restricted cash	3,918	3,918
Accounts receivable - net	51,296	52,320
Merchandise inventories	72,042	84,123
Other current assets	<u>5,421</u>	<u>5,839</u>
Total Current Assets	349,551	290,126
Property and Equipment – net	67,280	72,550
Noncurrent Deferred Income Tax	5,770	5,685
Other Assets	23,441	22,850
Right-of-Use Assets, net	<u>144,765</u>	<u>199,817</u>
TOTAL	<u>\$ 590,807</u>	<u>\$ 591,028</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current Lease Liability	\$ 146,796	\$ 116,913
Noncurrent Liabilities	20,550	19,536
Lease Liability	95,045	143,315
Stockholders' Equity	<u>273,812</u>	<u>247,843</u>
TOTAL	<u>\$ 590,807</u>	<u>\$ 591,028</u>

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

