

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 17, 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 November 17, 2021, The Cato Corporation issued a press release regarding its financial results for the third quarter ending October 30, 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 November 17, 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

November 17, 2021

Date

/s/ John P. D. Cato

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

November 17, 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 November 17, 2021</u> | 99.1 |
| <u>Exhibit 104 – Cover Page Interactive Data File (embedded within Inline XBRL document)</u> | 104 |

The CATO Corporation

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 INCOME

CHARLOTTE, N.C. (November 17, 2021) — The Cato Corporation (NYSE: CATO) today reported net income of \$8.6 million or \$0.39 per diluted share for the third quarter ended October 30, 2021, compared to a net loss of \$3.6 million or (\$0.15) per diluted share for the third quarter ended October 31, 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 third quarter ended October 30, 2021 were \$170.5 million, or an increase of 14% from sales of \$149.2 million for the third quarter ended October 31, 2020. Compared to the same period in 2019, sales decreased 10% from sales of \$189.4 million for the quarter ended November 2, 2019. The Company's same-store sales for the quarter increased 14% compared to 2020 and decreased 13% when compared to the same period in 2019.

For the nine months ended October 30, 2021, the Company reported net income of \$43.3 million or \$1.93 per diluted share, compared to a net loss of \$39.2 million or (\$1.64) per diluted share for the nine months ended October 31, 2020. Sales for the nine months ended October 30, 2021 were \$587.7 million, an increase of 42% to sales of \$414.3 million for the nine months ended October 31, 2020. Compared to the same period in 2019, sales decreased 6% from sales of \$627.8 million for the nine months ended November 2, 2019. Year-to-date same-store sales increased 41% to 2020 and decreased 9% compared to the same period in 2019.

"We continue to face challenges due to the lingering effects of the pandemic on the retail industry and the economy as a whole," stated John Cato, Chairman, President and Chief Executive Officer. "Our sales for the third quarter were negatively impacted by lower inventory levels related to further deterioration in the supply chain coupled with increased positive cases related to the COVID-19 Delta variant."

Gross margin increased from 26.7% to 38.9% of sales in the quarter due to higher merchandise margins. SG&A expenses as a percent of sales increased from 34.8% to 36.6% of sales during the quarter primarily due to increased employee benefit/bonus expense and store operating expenses as

store operating hours have increased substantially compared to prior year. Income tax benefit for the quarter was \$5.7 million due to increased benefits from tax planning initiatives and lower reserves related to uncertain tax positions, offset by higher pre-tax earnings versus a \$9.7 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 \$200.1 million driven by strong cash flow from operations, offset by dividends and share repurchases. This compares with \$151.4 million for the same period in 2020.

Year-to-date gross margin increased to 41.6% of sales from 21.4% the prior year primarily due to increased merchandise margins. The year-to-date SG&A rate was 33.5% versus 35.8% primarily due to leveraging of expenses, partially offset by higher employee benefit/bonus expense. Income tax expense for the nine months ended October 30, 2021 was \$1.9 million versus a \$22.7 million benefit last year.

Year-to-date, the Company permanently closed 6 stores. As of October 30, 2021, the Company operates 1,324 stores in 32 states, compared to 1,347 stores in 33 states as of October 31, 2020.

“While our first half sales benefitted from pent-up demand, government stimulus and more reasonable inventory levels, third quarter sales softened due to decreasing inventory levels caused by worsening supply chain disruption,” stated Mr. Cato. “As we see these conditions persisting, coupled with the effects of rising inflation and potential government vaccine mandates, we believe the fourth quarter will be very challenging.”

“As we enter the Holidays, amid the lingering effects of the pandemic, our associates’ and customers’ safety remain our primary focus,” Mr. Cato said. “We strive to offer our customers a safe place to shop for their favorite fashion trends at a great value with outstanding customer service.”

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, 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 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 30, 2021 AND OCTOBER 31, 2020
(Dollars in thousands, except per share data)

| | Quarter Ended | | | | Nine Months Ended | | | |
|---|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| | October 30, 2021 | % Sales | October 31, 2020 | % Sales | October 30, 2021 | % Sales | October 31, 2020 | % Sales |
| REVENUES | | | | | | | | |
| Retail sales | \$ 170,513 | 100.0% | \$ 149,205 | 100.0% | \$ 587,709 | 100.0% | \$ 414,283 | 100.0% |
| Other revenue (principally finance, late fees and layaway charges) | 1,700 | 1.0% | 1,586 | 1.1% | 5,335 | 0.9% | 5,410 | 1.3% |
| Total revenues | <u>172,213</u> | <u>101.0%</u> | <u>150,791</u> | <u>101.1%</u> | <u>593,044</u> | <u>100.9%</u> | <u>419,693</u> | <u>101.3%</u> |
| GROSS MARGIN (Memo) | 66,288 | 38.9% | 39,801 | 26.7% | 244,222 | 41.6% | 88,545 | 21.4% |
| COSTS AND EXPENSES, NET | | | | | | | | |
| Cost of goods sold | 104,225 | 61.1% | 109,404 | 73.3% | 343,487 | 58.4% | 325,738 | 78.6% |
| Selling, general and administrative | 62,466 | 36.6% | 51,885 | 34.8% | 196,687 | 33.5% | 148,353 | 35.8% |
| Depreciation | 3,173 | 1.9% | 3,619 | 2.4% | 9,352 | 1.6% | 11,113 | 2.7% |
| Interest and other income | (541) | -0.3% | (791) | -0.5% | (1,719) | -0.3% | (3,603) | -0.9% |
| Costs and expenses, net | <u>169,323</u> | <u>99.3%</u> | <u>164,117</u> | <u>110.0%</u> | <u>547,807</u> | <u>93.2%</u> | <u>481,601</u> | <u>116.3%</u> |
| Income (Loss) Before Income Taxes | 2,890 | 1.7% | (13,326) | -8.9% | 45,237 | 7.7% | (61,908) | -14.9% |
| Income Tax (Benefit)/Expense | (5,713) | -3.4% | (9,704) | -6.5% | 1,929 | 0.3% | (22,698) | -5.5% |
| Net Income (Loss) | <u>\$ 8,603</u> | <u>5.0%</u> | <u>\$ (3,622)</u> | <u>-2.4%</u> | <u>\$ 43,308</u> | <u>7.4%</u> | <u>\$ (39,210)</u> | <u>-9.5%</u> |
| Basic Earnings Per Share | <u>\$ 0.39</u> | | <u>\$ (0.15)</u> | | <u>\$ 1.93</u> | | <u>\$ (1.64)</u> | |
| Diluted Earnings Per Share | <u>\$ 0.39</u> | | <u>\$ (0.15)</u> | | <u>\$ 1.93</u> | | <u>\$ (1.64)</u> | |

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

| | October 30, 2021 <u>(Unaudited)</u> | January 30, 2021 <u>(Unaudited)</u> |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 23,990 | \$ 17,510 |
| Short-term investments | 176,120 | 126,416 |
| Restricted cash | 3,919 | 3,918 |
| Accounts receivable - net | 56,017 | 52,743 |
| Merchandise inventories | 90,229 | 84,123 |
| Other current assets | <u>11,478</u> | <u>5,840</u> |
| Total Current Assets | 361,753 | 290,550 |
| Property and Equipment – net | 65,115 | 72,550 |
| Noncurrent Deferred Income Taxes | 5,920 | 5,685 |
| Other Assets | 23,528 | 22,850 |
| Right-of-Use Assets, net | <u>130,842</u> | <u>199,817</u> |
| TOTAL | <u>\$ 587,158</u> | <u>\$ 591,452</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | \$ 164,103 | \$ 118,513 |
| Current Lease Liability | 50,234 | 63,421 |
| Noncurrent Liabilities | 17,408 | 19,705 |
| Lease Liability | 84,635 | 143,315 |
| Stockholders' Equity | <u>270,778</u> | <u>246,498</u> |
| TOTAL | <u>\$ 587,158</u> | <u>\$ 591,452</u> |

