

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): March 17, 2022

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 March 17, 2022, The Cato Corporation issued a press release regarding its financial results for the fourth quarter ending January 29, 2022. 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 March 17, 2022](#)

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

March 21, 2022

Date

/s/ John P. D. Cato

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

March 21, 2022

Date

/s/ Charles D. Knight

Charles D. Knight
Executive Vice President
Chief Financial Officer

Exhibit Index

<u>Exhibit</u>	<u>Exhibit No.</u>
99.1 - Press Release issued March 17, 2022	99.1
104 Cover page Interactive Data File (embedded within Inline XBRL document)	104

The CATO Corporation

NEWS RELEASE

FOR IMMEDIATE RELEASE

For Further Information Contact:

Charles D. Knight
Executive Vice President
Chief Financial Officer
InvestorRelations@catocorp.com

CATO REPORTS 4Q AND FULL YEAR EARNINGS

CHARLOTTE, N.C. (March 17, 2022) — The Cato Corporation (NYSE: CATO) today reported a net loss of \$6.5 million or (\$0.30) per diluted share for the fourth quarter ended January 29, 2022, compared to a net loss of \$8.3 million or (\$0.37) per diluted share for the fourth quarter ended January 30, 2021. Full-year fiscal 2021 net income was \$36.8 million or \$1.65 per diluted share compared to a net loss of \$47.5 million or (\$2.01) per diluted share for 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, we will also compare current year results to fiscal 2019 sales, in addition to normal prior year comparison. Sales for the fourth quarter ended January 29, 2022 were \$173.6 million, or an increase of 13% from sales of \$153.2 million for the fourth quarter ended January 30, 2021. Compared to the same period in 2019, sales decreased 8% from sales of \$188.4 million for the quarter ended February 1, 2020. The Company's same-store sales for the quarter increased 14% compared to 2020 and decreased 10% when compared to the same period in 2019.

For the year, the Company's sales increased 34% to \$761.4 million from 2020 sales of \$567.5 million. Compared to 2019, sales decreased 7% from sales of \$816.2 million for the year ended February 1, 2020. Same-store sales for the year increased 34% compared to 2020 and decreased 9% compared to 2019.

"We are encouraged by the recovery of our business during 2021, despite ongoing challenges due to the lingering effects of the pandemic," said John Cato, Chairman, President and Chief Executive Officer. "The first half of the year started off strong as a result of stimulus money and pent up demand, while our second half lagged as a result of worsening supply chain disruption, a resurgence of COVID-19, coupled with rising inflation. The strong performance of 2021 afforded us the opportunity to continue investing in future growth initiatives during the fall, which had been placed on hold during the pandemic. We will continue to make these investments in key initiatives in 2022."

Fourth-quarter gross margin increased from 29.9% to 36.9% of sales in 2021 due to higher merchandise margins. Selling, General and Administrative expenses as a percent of sales increased from 38.1% to 40.5% of sales during the quarter primarily due to increased employee benefit/bonus

expense and store operating expenses, related to increased store operating hours compared to the prior year. Income tax for the quarter was an expense of \$0.2 million compared to a benefit of \$2.6 million last year. The tax expense is primarily due to higher than anticipated pre-tax income for the year.

For 2021, gross margin increased from 23.7% of sales in 2020 to 40.5% of sales primarily due to increased merchandise margins. Selling, general and administrative expenses decreased to 35.1% of sales compared to 36.4% in the prior year. The selling, general and administrative rate decrease was primarily due to lower impairment charges compared to prior year, coupled with the effects of the leveraging of expenses, partially offset by higher employee benefit/bonus expense. Income tax expense for the year was \$2.1 million compared to a benefit of \$25.3 million last year.

For the year ended January 29, 2022, merchandise inventories increased \$40.8 million compared to the prior year primarily due to planned earlier shipments in anticipation of the calendar shift of Chinese New Year. This increase also attributed to the increase in current liabilities.

“We anticipate supply chain disruption and inflation-related increases to our costs, as well as pressure on our customers’ discretionary income to continue through 2022,” stated Mr. Cato. “However, we view 2022 as a stabilizing year for the Company, following two years of very unpredictable business cycles.”

During 2021, the Company opened 4 stores, relocated 2 stores and permanently closed 23 stores. As of January 29, 2022, the Company operated 1,311 stores in 32 states, compared to 1,330 stores in 33 states as of January 30, 2021. During 2022, the Company plans to open up to 30 new stores and close up to 25 stores as leases expire. These store closings are anticipated to have minimal financial impact.

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.

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED JANUARY 29, 2022 AND JANUARY 30, 2021
(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>				<u>Twelve Months Ended</u>			
	<u>January</u>		<u>January</u>		<u>January</u>		<u>January</u>	
	<u>2022</u>	<u>% Sales</u>	<u>2021</u>	<u>% Sales</u>	<u>2022</u>	<u>% Sales</u>	<u>2021</u>	<u>% Sales</u>
REVENUES								
Retail sales	\$ 173,649	100.0%	\$ 153,233	100.0%	\$ 761,358	100.0%	\$ 567,516	100.0%
Other revenue (principally late fees and layaway)	2,578	1.5%	2,185	1.4%	7,913	1.0%	7,595	1.3%
Total revenues	176,227	101.5%	155,418	101.4%	769,271	101.0%	575,111	101.3%
GROSS MARGIN (Memo)	64,071	36.9%	45,784	29.9%	308,293	40.5%	134,329	23.7%
COSTS AND EXPENSES,								
Cost of goods sold	109,578	63.1%	107,449	70.1%	453,065	59.5%	433,187	76.3%
Selling, general and Depreciation	70,338	40.5%	58,326	38.1%	267,026	35.1%	206,679	36.4%
Interest and other income	3,004	1.7%	3,568	2.3%	12,356	1.6%	14,681	2.6%
	(422)	-0.2%	(3,027)	-2.0%	(2,141)	-0.3%	(6,630)	-1.2%
Costs and expenses, net	182,498	105.1%	166,316	108.5%	730,306	95.9%	647,917	114.2%
Income (Loss) Before Income Taxes	(6,271)	-3.6%	(10,898)	-7.1%	38,965	5.1%	(72,806)	-12.8%
Income Tax (Benefit)/Expense	192	0.1%	(2,624)	-1.7%	2,121	0.3%	(25,323)	-4.5%
Net Income (Loss)	<u>\$ (6,463)</u>	<u>-3.7%</u>	<u>\$ (8,274)</u>	<u>-5.4%</u>	<u>\$ 36,844</u>	<u>4.8%</u>	<u>\$ (47,483)</u>	<u>-8.4%</u>
Basic Earnings Per Share	<u>\$ (0.30)</u>		<u>\$ (0.37)</u>		<u>\$ 1.65</u>		<u>\$ (2.01)</u>	
Diluted Earnings Per Share	<u>\$ (0.30)</u>		<u>\$ (0.37)</u>		<u>\$ 1.65</u>		<u>\$ (2.01)</u>	

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

	January 29, 2022	January 30, 2021
	(Unaudited)	(Unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 19,759	\$ 17,510
Short-term investments	145,998	126,416
Restricted cash	3,919	3,918
Accounts receivable - net	55,812	52,743
Merchandise inventories	124,907	84,123
Other current assets	<u>5,273</u>	<u>5,840</u>
Total Current Assets	355,668	290,550
Property and Equipment – net	63,083	72,550
Noncurrent Deferred Income	9,313	5,685
Other Assets	24,437	22,850
Right-of-Use Assets, net	<u>181,265</u>	<u>199,817</u>
TOTAL	<u>\$ 633,766</u>	<u>\$ 591,452</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:	\$ 177,327	\$ 118,513
Current Lease Liability	66,808	63,421
Noncurrent Liabilities	17,914	19,705
Lease Liability	117,521	143,315
Stockholders' Equity	<u>254,196</u>	<u>246,498</u>
TOTAL	<u>\$ 633,766</u>	<u>\$ 591,452</u>

