

THE CATO CORPORATION

Item 2.02. Results of Operations and Financial Condition

On August 17, 2023, The Cato Corporation issued a press release regarding its financial results for the second quarter ending July 29, 2023. A copy of this press release is hereby incorporated as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1 - Press Release issued August 17, 2023](#)

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 21, 2023

Date

/s/ John P. D. Cato

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

August 21, 2023

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 August 17, 2023	99.1
104 Cover page Interactive Data File (embedded within Inline XBRL document)	104

NEWS RELEASE
FOR IMMEDIATE RELEASE

For Further Information Contact:
Charles D. Knight
Executive Vice President
Chief Financial Officer
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CATO REPORTS 2Q RESULTS

CHARLOTTE, N.C. (August 17, 2023) – The Cato Corporation (NYSE: CATO) today reported net income of \$1.1 million or \$0.06 per diluted share for the second quarter ended July 29, 2023, compared to a net loss of \$2.3 million or (\$0.11) per diluted share for the second quarter ended July 30, 2022.

Sales for the second quarter ended July 29, 2023 were \$181.2 million, or a decrease of 7% from sales of \$195.0 million for the second quarter ended July 30, 2022. The Company's same-store sales for the quarter decreased 5% compared to 2022.

For the six months ended July 29, 2023, the Company reported net income of \$5.6 million or \$0.27 per diluted share, compared to net income of \$7.4 million or \$0.35 per diluted share for the six months ended July 30, 2022. Sales for the six months ended July 29, 2023 were \$371.5 million, a decrease of 7% from sales of \$399.9 million for the six months ended July 30, 2022. Year-to-date same-store sales decreased 5% compared to 2022.

“Our year-to-date sales trend continues to be negatively impacted by pressure on our customers' discretionary spending,” stated John Cato, Chairman, President, and Chief Executive Officer. “Our gross margin improved as we took steps to right size our inventory. However, we believe the back half of the year will remain challenging.”

Gross margin increased to 35.1% from 32.4% of sales in the quarter due to higher merchandise margins and decreased freight expense. SG&A expenses as a percent of sales increased from 31.2% to 34.0% of sales during the quarter primarily due to increased payroll and insurance expense. Tax expense for the quarter was \$1.3 million versus \$5.7 million in the prior year, reflecting a more normalized tax rate in the quarter compared to last year.

Year-to-date gross margin increased to 35.5% of sales from 34.0% the prior year primarily due to increased merchandise margins and decreased freight expense. Year-to-date SG&A expenses were 33.3% as a percent of sales versus 30.3% in the prior year primarily due to increased payroll and insurance expense. Income tax expense for the first half decreased to \$3.5 million versus \$7.6 million last year.

During the second quarter ended July 29, 2023, the Company opened two new stores, relocated one store and closed 19 stores. As of July 29, 2023, the Company has 1,247 stores in 31 states, compared to 1,312 stores in 32 states as of July 30, 2022.

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 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 July 29, 2023 AND July 30, 2022
(Dollars in thousands, except per share data)

	<u>Quarter Ended</u>				<u>Six Months Ended</u>			
	<u>July 29,</u> <u>2023</u>	<u>%</u> <u>Sales</u>	<u>July 30,</u> <u>2022</u>	<u>%</u> <u>Sales</u>	<u>July 29,</u> <u>2023</u>	<u>%</u> <u>Sales</u>	<u>July 30,</u> <u>2022</u>	<u>%</u> <u>Sales</u>
REVENUES								
Retail sales	\$ 181,181	100.0%	195,006	100.0%	\$ 371,492	100.0%	399,939	100.0%
Other revenue (principally finance, late fees and layaway charges)	1,690	0.9%	1,858	1.0%	3,429	0.9%	3,646	0.9%
Total revenues	<u>182,871</u>	<u>100.9%</u>	<u>196,864</u>	<u>101.0%</u>	<u>374,921</u>	<u>100.9%</u>	<u>403,585</u>	<u>100.9%</u>
GROSS MARGIN (Memo)	63,564	35.1%	63,257	32.4%	131,788	35.5%	135,947	34.0%
COSTS AND EXPENSES, NET								
Cost of goods sold	117,617	64.9%	131,749	67.6%	239,704	64.5%	263,992	66.0%
Selling, general and administrative	61,618	34.0%	60,768	31.2%	123,552	33.3%	121,209	30.3%
Depreciation	2,510	1.4%	2,811	1.4%	4,867	1.3%	5,554	1.4%
Interest and other income	<u>(1,334)</u>	<u>-0.7%</u>	<u>(1,884)</u>	<u>-1.0%</u>	<u>(2,231)</u>	<u>-0.6%</u>	<u>(2,287)</u>	<u>-0.6%</u>
Costs and expenses, net	<u>180,411</u>	<u>99.6%</u>	<u>193,444</u>	<u>99.2%</u>	<u>365,892</u>	<u>98.5%</u>	<u>388,468</u>	<u>97.1%</u>
Income Before Income Taxes	2,460	1.4%	3,420	1.8%	9,029	2.4%	15,117	3.8%
Income Tax Expense	<u>1,333</u>	<u>0.7%</u>	<u>5,694</u>	<u>2.9%</u>	<u>3,475</u>	<u>0.9%</u>	<u>7,643</u>	<u>1.9%</u>
Net Income (Loss)	<u>\$ 1,127</u>	<u>0.6%</u>	<u>(2,274)</u>	<u>-1.2%</u>	<u>5,554</u>	<u>1.5%</u>	<u>7,474</u>	<u>1.9%</u>
Basic Earnings Per Share	<u>\$ 0.06</u>		<u>\$ (0.11)</u>		<u>\$ 0.27</u>		<u>\$ 0.35</u>	
Basic Weighted Average Shares	<u>20,593,949</u>		<u>21,177,321</u>		<u>20,474,142</u>		<u>21,261,405</u>	
Diluted Earnings Per Share	<u>\$ 0.06</u>		<u>\$ (0.11)</u>		<u>\$ 0.27</u>		<u>\$ 0.35</u>	

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

	July 29, 2023	January 28, 2023
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 55,977	\$ 20,005
Short-term investments	77,222	108,652
Restricted cash	3,877	3,787
Accounts receivable - net	26,915	26,497
Merchandise inventories	92,718	112,056
Other current assets	<u>7,098</u>	<u>6,676</u>
Total Current Assets	263,807	277,673
Property and Equipment - net	73,871	70,382
Noncurrent Deferred Income Taxes	9,888	9,213
Other Assets	21,770	21,596
Right-of-Use Assets, net	<u>138,331</u>	<u>174,276</u>
TOTAL	<u>\$ 507,667</u>	<u>\$ 553,140</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current Lease Liability	\$ 127,971	\$ 135,597
Noncurrent Liabilities	32,431	67,360
Lease Liability	16,342	16,183
Stockholders' Equity	<u>105,390</u>	<u>107,407</u>
TOTAL	<u>\$ 225,533</u>	<u>226,593</u>
	<u>\$ 507,667</u>	<u>\$ 553,140</u>

