

REFINITIV

DELTA REPORT

10-Q

CATO - CATO CORP

10-Q - OCTOBER 28, 2023 COMPARED TO 10-Q - JULY 29, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 3512

█	CHANGES	450
█	DELETIONS	966
█	ADDITIONS	2096

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM

10-Q

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

For the quarterly period ended

July 29, October 28, 2023

OR

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

For the transition period from _____ to _____

Commission file number

1-31340

THE CATO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
56-0484485
(State or other jurisdiction of incorporation or organization)
(I.R.S. Employer Identification No.)
8100 Denmark Road
,
Charlotte
,
North Carolina

28273-5975
(Address of principal executive offices)
(Zip Code)
(704)
554-8510
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
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

2

THE CATO CORPORATION

FORM 10-Q

Quarter Ended **July 29, 2023** **October 28, 2023**

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

Three Months Ended

Six Nine Months Ended

July 29, October 28,

2023

July 30, October 29,

2022

July 29, October 28,

2023

July 30, October 29,

2022

(Dollars in thousands, except per share data)

REVENUES

Retail sales

\$

181,181 156,682

\$

195,006 174,921

\$

371,492 528,174

\$

399,939 574,860

Other revenue (principally finance charges, late fees and
layaway charges)

1,690 1,574

1,858 1,705

3,429 5,003

3,646 5,351

Total revenues

182,871 158,256

196,864 176,626

374,921 533,177

403,585 580,211

COSTS AND EXPENSES, NET

Cost of goods sold (exclusive of depreciation shown below)

117,617 105,832

131,749 123,752

239,704 345,536

263,992 387,744

Selling, general and administrative (exclusive of depreciation
shown below)

61,618 61,792

60,768 61,397

123,552 185,344

121,209 182,606

Depreciation

2,510 **2,504**

2,811 2,864

4,867 **7,371**

5,554 8,418

Interest and other income

(1,334) **(1,523)**

(1,884) (2,278)

(2,231) **(3,754)**

(2,287) (4,565)

Costs and expenses, net

180,411 **168,605**

180,411 **168,605**

4

THE CATO CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

July 29, October 28, 2023

January 28, 2023

ASSETS

(Dollars in thousands)

Current Assets:

Cash and cash equivalents

\$

55,977 **25,024**

\$

20,005

Short-term investments

77,222 **93,552**

108,652

Restricted cash

3,877 **3,908**

3,787

Accounts receivable, net of allowance for customer credit losses of

\$

763 **742**

and \$

761

at July 29, 2023 October 28, 2023 and January 28, 2023, respectively

26,915 **31,115**

26,497

Merchandise inventories

92,718 **98,872**

112,056

Prepaid expenses and other current assets

7,098 **8,591**

6,676

Total Current Assets

263,807 **261,062**

277,673

Property and equipment – net

73,871 **66,302**

70,382

Noncurrent deferred income taxes

9,888 **10,977**

9,213

Other assets

21,770 **25,444**

21,596

Right-of-Use assets – net

138,331 123,583

174,276

Total Assets

\$

507,667 487,368

\$

553,140

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable

\$

84,867 86,897

\$

91,956

Accrued expenses

28,545 12,574

5

THE CATO CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Six Nine Months Ended

July 29, October 28, 2023

July 30, October 29, 2022

(Dollars in thousands)

Operating Activities:

Net income (loss)

\$

5,554 (523)

\$

7,474 3,020

Adjustments to reconcile net income (loss) to net cash provided

by operating activities:

Depreciation

4,867 7,371

5,554 8,418

Provision for customer credit losses

248 397

145 217

Purchase premium and premium amortization of investments

(97) (226)

607 606

Share-based compensation

2,192 3,189

2,028 1,517

Deferred income taxes

(832) (1,981)

-

Loss on disposal of property and equipment

113

93 106

Changes in operating assets and liabilities which provided

(used) cash:

Accounts receivable

(666) (1,815)

30,837 29,916

Merchandise inventories

19,338 13,184

8,314	8,189
Prepaid and other assets	
(667)	(1,716)
(24)	1,704
Operating lease right-of-use assets and liabilities	
(1,001)	(1,499)
(1,207)	(1,895)
Accrued income taxes	
2,948	1,375
5,168	1,918
Accounts payable, accrued expenses and other liabilities	
(10,306)	(6,099)
(42,013)	(34,418)
Net cash provided by operating activities	
21,579	11,670
16,976	19,298
Investing Activities:	
Expenditures for property and equipment	

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THE CATO CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Accumulated	
Additional	
Other	
Total	
Common	
Paid-in	
Retained	
Comprehensive	
Stockholders'	
Stock	
Capital	
Earnings	
Income	
Equity	
(Dollars in thousands)	
Balance — January 28, 2023	
\$	
691	
\$	
122,431	
\$	
104,709	
\$	
(1,238)	
\$	
226,593	
Comprehensive income:	
Net income	
-	
-	
4,428	
-	
4,428	
Unrealized net gains on available-for-sale securities, net of	
deferred income tax expense of \$	
107	
-	
-	
-	
355	
355	
Dividends paid (\$	
0.17	
per share)	
-	

(3,455)
(3,455)
Class A common stock sold through employee stock purchase plan
195
-
-
195
Share-based compensation issuances and exercises
-
-
3
-
3
Share-based compensation expense
929
-
-
929
Repurchase and retirement of treasury shares
(8)
-
(2,259)
-
(2,267)
Balance — April 29, 2023

7

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

Accumulated

Additional

Other

Total

Common

Paid-in

Retained

Comprehensive

Stockholders'

Stock

Capital

Earnings

Income

Equity

(Dollars in thousands)

Balance — January 29, 2022

\$

728

\$

119,540

\$

134,208

\$

(280)

\$

254,196

Comprehensive income:

Net income

-

-

9,748

-

9,748

Unrealized net losses on available-for-sale securities, net of
 deferred income tax benefit of \$

362

-

-

(1,206)

(1,206)	
Dividends paid (\$	
0.17	
per share)	
-	
(3,638)	
-	
(3,638)	
Class A common stock sold through employee stock purchase plan	
-	
111	
-	
-	
111	
Share-based compensation issuances and exercises	
-	
5	
-	
5	
Share-based compensation expense	
-	
598	
-	
-	
598	
Repurchase and retirement of treasury shares	
(20)	
-	
(9,142)	
-	
(9,162)	
Balance — April 30, 2022	

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS AND **SIX NINE** MONTHS ENDED **JULY 29, OCTOBER 28, 2023 AND JULY 30, OCTOBER 29, 2022**

NOTE 1 - GENERAL

:

The condensed consolidated financial statements as of July 29, 2023 and for the twenty-six-week of periods ended October July 29, 2023 and July 30, 2022 have been prepared from for the thirty-nine-week periods ended October 28, 2023 and October 29, 2022 have been prepared from the accounting records of

The Cato Corporation ~~Corporation~~ wholly-owned subsidiaries (the (the "Company"), and all amounts shown are are unaudited.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included. All such adjustments are of a normal, recurring nature unless otherwise otherwise noted. The results of the interim period may not be indicative of the results expected for the entire year.

On November 16, 2023, the Board of Directors maintained the quarterly dividend at \$

The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended

January 28, 2023. Amounts as of January 28, 2023 have been derived from the audited financial statement, but do not include all disclosures required by accounting principles generally accepted in the United States of

During the third quarter of the current fiscal year, the Company received an estimate for costs to repair its corporate jet, which had sustained damage at the end of the second quarter. The Company determined that the cost of repair is recoverable and recorded a receivable for the estimated repair cost of \$

3.2

million.

Management has determined that it is more likely than not that the aircraft will be sold within the next 12

months. The Company reclassified the aircraft as an asset held for sale at its estimated fair value of \$

4.2

million, which is included in Other assets in the accompanying Condensed Consolidated Balance Sheets

as of October 28, 2023.

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY 30, OCTOBER 29, 2022

NOTE 2 - EARNINGS PER SHARE:

Accounting Standard Codification ("ASC") 260 –

Earnings Per Share

requires dual presentation of basic and diluted Earnings Per Share ("EPS") on the face of all income statements for all entities with complex capital structures. The Company has presented one basic EPS and one diluted EPS amount for all common shares in the accompanying Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

While the Company's certificate of incorporation provides the right for the Board of Directors to declare dividends on Class A shares without declaration of commensurate dividends on Class B shares, the Company

has historically paid the same dividends to both Class A and Class B shareholders and the Board of Directors

has resolved to continue this practice. Accordingly, the Company's allocation of income for purposes of the

EPS computation is the same for Class A and Class B shares and the EPS amounts reported herein are applicable to both Class A and Class B shares.

Basic EPS is computed as net income less earnings allocated to non-vested equity awards divided by the weighted average number of common shares outstanding for the period.

Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options and the Employee Stock

Purchase Plan.

Three Months Ended	
Six Months Ended	
July 29, 2023	
July 30, 2022	
July 29, 2023	
July 30, 2022	
(Dollars in thousands)	
Numerator	
Net earnings (loss)	
\$	
1,127	
\$	
(2,274)	
\$	
5,554	
\$	
7,474	
(Earnings) loss allocated to non-vested equity awards	
(54)	
132	
(292)	
(405)	
Net earnings (loss) available to common stockholders	
\$	
1,073	
\$	
(2,142)	
\$	
5,262	
\$	
7,069	
Denominator	
Basic weighted average common shares outstanding	
19,395,484	
20,005,315	
19,349,266	
20,077,258	
Diluted weighted average common shares outstanding	
19,395,484	
20,005,315	
19,349,266	
20,077,258	
Net income (loss) per common share	
Basic earnings (loss) per share	
\$	
0.06	
\$	
(0.11)	
\$	
0.27	
\$	
0.35	
Diluted earnings (loss) per share	
\$	
0.06	
\$	
(0.11)	
\$	
0.27	
\$	
0.35	

Three Months Ended

Nine Months Ended

October 28,

2023

October 29,

2022

October 28,

2023

October 29,

2022

(Dollars in thousands)

Numerator

Net earnings (loss)

\$ (6,707)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

\$ FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY

(4,414)
\$ 30, OCTOBER 29, 2022

(523)

\$

3,020

(Earnings) loss allocated to non-vested equity awards

346

240

49

(153)

Net earnings (loss) available to common stockholders

\$

(5,731)

\$

(4,213)

\$

(474)

\$

2,867

Denominator

Basic weighted average common shares outstanding

19,421,701

19,934,592

19,373,411

20,029,703

Diluted weighted average common shares outstanding

19,421,701

19,934,592

19,373,411

20,029,703

Net income (loss) per common share

Basic earnings (loss) per share

\$

(0.30)

\$

(0.21)

\$

(0.02)

\$

0.14

Diluted earnings (loss) per share

\$

(0.30)

\$

(0.21)

\$	
(0.02)	
\$	
0.14	

10

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE INCOME:

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the three months ended **July 29, 2023** ~~October 28, 2023~~

Changes in Accumulated Other Comprehensive Income (a)

Unrealized Gains and (Losses) on Available-for-Sale Securities

Beginning Balance at **April 29, 2023** ~~July 29, 2023~~

\$

(883) ~~(716)~~

Other comprehensive income before reclassification

164 ~~185~~

Amounts reclassified from accumulated other comprehensive income (b)

316

Net current-period other comprehensive income

(157) ~~201~~ ~~10~~

Ending Balance at **July 29, 2023** ~~October 28, 2023~~

~~The following table sets forth information regarding the reclassification out of income from net gains on available-for-sale securities. The tax impact of this reclassification was \$2.2 million, or 2.2% of net income.~~

~~Changes in Accumulated Other Comprehensive Income (a)~~ ~~2023~~ ~~October 28, 2023~~ ~~tax~~. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

Unrealized Gains and (Losses) on Available-for-Sale Securities

Beginning Balance at **January 28, 2023**

\$

(1,238)

Other comprehensive income before reclassification

519 ~~704~~

Amounts reclassified from accumulated

other comprehensive income (b)

319

Net current period other comprehensive income

522,723

THE CATO CORPORATION

Ending Balance at July 29, 2023 October 28, 2023

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY

30 OCTOBER 29, 2022

All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

(b) Includes \$

424

impact of Accumulated other comprehensive income reclassifications into Interest and other

income for net gains on available-for-sale securities. The tax impact of this reclassification was \$

15

.

NOTE 3 - ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED):

The following table sets forth information regarding the reclassification out of Accumulated other comprehensive income (in thousands) for the three months ended **July 30, 2022**.

Changes in Accumulated Other**Comprehensive Income (a)****Unrealized Gains****and (Losses) on****Available-for-Sale****Securities**

Beginning Balance at **April 30, 2022** **July 30, 2022**

\$

(1,486) **(1,425)**

Other comprehensive income before reclassifications

64 **(637)**

Amounts reclassified from accumulated other comprehensive income (b)

(3) **8**

Net current-period other comprehensive income

(3) **120**

Ending Balance at **July 30, 2022** **October 29, 2022**

The following table sets forth the information regarding the reclassification out of income from net gains on available-for-sale securities. The tax impact of this reclassification was **\$2,000** in the nine months ended **July 30, 2022**.

Changes in Accumulated Other**Comprehensive Income (a)****Unrealized Gains****and (Losses) on****Available-for-Sale****Securities**

Beginning Balance at **January 29, 2022**

\$

(280)

Other comprehensive income before reclassifications

(1,139) **(1,788)**

Amounts reclassified from accumulated other comprehensive income (b)

(6) **14**

Net current-period other comprehensive income

(1,151) **(1,774)**

THE CATO CORPORATION**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY**

30, OCTOBER 29, 2022

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income.

(b) Includes \$

718

impact of Accumulated other comprehensive income reclassifications into Interest and other income for net gains on available-for-sale securities. The tax impact of this reclassification was \$

14

.

12

NOTE 4 – FINANCING ARRANGEMENTS:

As of July 29, 2023, October 28, 2023, the Company has an unsecured revolving credit line, which provides for borrowings of up to \$

35.0

million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The revolving credit agreement contains various financial covenants and limitations, including the maintenance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On October August 9, 24, 2023, the Company

amended the revolving credit agreement to modify a definition used in calculating the

NOTE 5 - REPORTABLE SEGMENT INFORMATION:

The Company has determined that it has four

EBITDAR coverage ratio to add back certain income tax receivables for purposes of

operating segments, as defined under ASC 280-10, to calculate the EBITDAR coverage ratio to the

amount of the Company's cash and investments. Though the effect of the amendment

reducing the minimum EBITDAR coverage ratio for the quarter ended October 28, 2023 and is

expected to do so going forward, the Company was in compliance with the amended credit

agreement for the quarter ended July 29, October

2023 after giving effect to the amendment, and also the Company was would have been in

compliance with without giving effect to the credit agreement amendment. There were no

that two or more operating segments may be aggregated into a single reportable segment if

aggregation is consistent with the objective and basic principles of ASC 280-10, which require

the segments to have similar economic characteristics, products, production processes,

clients and methods of distribution. The weighted average interest rate under the credit facility credit

facility was zero retail operating segments have similar economic characteristics and similar

at July 29, 2023 October 28, 2023

the same and competitive risks. The products sold in each retail operating segment are similar

in nature, as they all sell women's apparel, shoes and accessories. Merchandise inventory

of the Company's retail operating segments is sourced from the same countries and some

of the same vendors, using similar production processes. Merchandise for the Company's

retail operating segments is distributed to retail stores in a similar manner through the

Company's single distribution center and is subsequently sold to customers in a similar manner.

The Company operates its women's fashion specialty retail stores in

31

states as of July October 29, 28, 2023,

principally in the southeastern United States. The Company offers its own credit card to its

customers and all credit authorizations, payment processing and collection efforts are

performed by a wholly-owned subsidiary of the Company.

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY
30, OCTOBER 29, 2022**

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NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):

The following schedule summarizes certain segment information (in thousands).

Three Months Ended

Six Nine Months Ended

July 29, October 28, 2023

Retail

Credit

Total

July 29, October 28, 2023

Retail

Credit

Total

Revenues

\$182,213 157,595



\$658,661
\$182,871 158,256

Revenues

\$373,648 531,243

\$1,276,192 1,194 evaluates segment performance based on income before income taxes. The \$373,648 531,243 do not allocate certain corporate expenses or income taxes to the credit segment. The following schedule summarizes the direct expenses of the credit segment, which are

Depreciation

reflected in Selling

Three Months Ended

Six Months Ended Administrative expenses (in thousands):

July 29, 2023

July 30, 2022

July 29, 2023

July 30, 2022

Payroll

\$510

142 depreciation

\$1,866

132

\$1,867 7,371

276

Interest and other income

\$269

334)(1,523)

Postage

109 334)(1,523)

99 Interest and other income

210

231)(3,754)

192

Other expenses

154 231)(3,754)

187 Income (loss) before

348

income taxes

386

Total expenses 4)

\$53,255

405,60 (10,349)

\$ Income (loss) before

418

\$ income taxes

834,90 (2,014)

\$139,694

847,120 (1,320)

Three Months Ended

Nine Months Ended

October 28,

2023) 1,801

October 29, 2022

2022) 1,027

THE CATO CORPORATION

October 28,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2023) 10,271 FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY

30, OCTOBER 29, 2022

2022 Nine Months Ended

Payroll, October 29, 2022

\$etail

135dit
\$otal
120' 30, October 29, 2022

\$etail
411dit
\$otal
389venues
Postage 4 176,057
1110569
1076,864 176,626
321venues
2992,523 578,580
Other expenses
1603,585 580,211
172reciation
5070 2,864
557
Total expenses

\$lepreciation
406 7
\$
399 1
\$epreciation
1,239
\$ 554 8,418
1,245st and other income
(1,884)(2,278)

(1,884)(2,278)
Interest and other income
(2,287)(4,565)

(2,287)(4,565)
Income (loss) before
income taxes
(9,280)
171
(9,109)

Income before
income taxes
3,289 5,623
131 385
3,420
14
Income before

NOTE 6 STOCK-BASED COMPENSATION:

¹As of July 29, 2023, October 28, 2023, the Company had two

²Company
15,117 6,008

Chad:two long-term compensation plans pursuant to which stock-based compensation was 50,413,808 or could be granted. The 2018 Incentive Compensation Plan and 2013 -Incentive Compensation Plan are for the granting of various forms of equity-based 5,041,380 including restricted stock and stock options for grant, to officers, directors and key 2013, 10,382 employees. Effective May 24, 2018, 10,382 shares 10,382 were no longer available under the 2013 Incentive Compensation Plan.

Plan The following table presents the number of options and shares of restricted stock initially 10,384,124,822 available for grant under each of the plans as of July 29, October 28, 2023: 10,384,124,822 in accordance with ASC 718:

Retail Compensation and restricted stock initially authorized

Credit the fair value of current restricted stock awards is estimated on the date of grant based on 1000 the market price of the Company's stock and is amortized to compensation expense on a 6,225,000 straight-line basis over the related vesting periods. As of July 29, October 28, 2023, and January 28, 2023, there was \$ 11,597,000 10,488,000

and \$ 11,597,000 10,488,000
Total assets as of January 28, 2023 10,488,000
October 28, 2023 10,488,000

The following summary shows the changes in the number of shares of unvested restricted stock awards, outstanding during the six months ended July 29, October 28, 2023, and January 28, 2023, and the weighted average number of shares outstanding during the six months ended July 29, October 28, 2023, and January 28, 2023.

Weighted Average 29, October 28, 2023 period of

Number of 2,624

Grant Date Fair Years and Shares 2,1

Value Per Share Years, Respectively. Total compensation expense during the three and six months ended July 29, 2023 was \$ 1,958,433

1,230,000
\$ and \$ 1,230,000

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

407,801,11,502 Impacted to 407,801,11,502 FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY

830, OCTOBER 29, 2022 1,135,555

and \$ 1,135,555

2,006,000
\$ and \$ 2,006,000

(107,238) the three and six nine months ended July October 30, 28, 2022, 2023 was \$ 98,700

98,700
and \$ 98,700

801,161,000 or expired

(74,338)(109,705)

12,2811,940 total compensation benefit of \$

535,000

Restricted stock awards at July 29, 2023 October 28, 2023

1,175,665 1,146,992

\$ for the three and nine months ended October 29, 2022, respectively. These amounts

11,3311,31d as a component classified as a component of Selling, general and administrative expenses administrative expenses in the Condensed Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

15

NOTE 6 – STOCK BASED-COMPENSATION (CONTINUED):

The Company's Employee Stock Purchase Plan allows eligible full-time employees to purchase a limited number of shares of the Company's Class A Common Stock during each semi-annual offering period at a

15

% discount through payroll payroll deductions. During the six nine months ended July 29, October 28, 2023 and July 30, October 29,

2022 the

NOTE 7 – FAIR VALUE MEASUREMENTS:

Company sold tables set forth information regarding the Company's financial assets and 26,127 50,540 liabilities that are measured at fair value (in thousands) as of July 29, 2023 October 28, 2023 and

January 28, 2023:

12,196 28,504

Quoted shares to employees employees at an an average discount of \$

1.31 1.23

Active

and \$

2,121 1.73

per share, respectively, per share, under the Employee Stock Purchase Plan. The compensation expense recognized for respectively, the

15 significant

identical

% discount given under the Employee Stock Purchase Plan. The Plan was compensation expense recognized for the year 2023.

Assets

discount given under the Employee Stock Purchase Plan was approximately \$

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2023 AND

OCTOBER 29, 2022 months ended October 28, 2023 and October 29, 2022, respectively.

These expenses are months ended July 29, 2023 and July 30, 2022, respectively. These expenses are classified as a component of Selling, component of

Selling, General and Administrative expenses.

\$

19,367 15,700

\$

19,367 15,700

\$

19,367 15,700

\$

Corporate Bonds

THE CATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30,026 47,759 months and six months ended July 29, 2023 and July 30, 2022

16

U.S. Treasury/Agencies Notes and Bonds

21,073 25,625

Active

21,073 25,625

Markets

Other

Significant Surrender Value of Life Insurance

9,524 9,038

Observable

Unobservable

January 28, 2023

9,524 9,038

Inputs

Asset-backed Securities (ABS)

6,108 4,468

Description

Level 1

6,108 4,468

Company's investment portfolio was primarily invested in corporate bonds and tax-

exempt and taxable governmental debt securities held in managed accounts with

852 788 ratings of A or better at July 29, 2023 October 28,

852 788 January 28, 2023. The state, municipal and corporate bonds have contractual

maturities which range from one four day

to

2,631 Commercial Paper

648. The U.S. Treasury Notes have contractual maturities which range from two 79

days

648 Corporate Bonds

2.62.3

Total Assets These securities are classified as available-for-sale and are recorded as Short-term

Investments,

87,598 103,378 Preferred Notes and Bonds

1,450 Other assets on the accompanying Condensed Consolidated

Balance Sheets.

852,788 sets are carried at fair value with unrealized gains and losses reported net of

\$

THE ZATO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS AND SIX NINE MONTHS ENDED JULY 29, OCTOBER 28, 2023 AND JULY

30, OCTOBER 29, 2022

Deferred Compensation

\$

(8,724) (8,311)

\$

-

\$

-

\$

(8,724) (8,311)

Total Liabilities

\$

(8,724) (8,311)

\$

-

\$

-

\$

(8,724) (8,311)

\$

-

\$

-

(8,724) (8,311)

Forward-looking statements or expectations of our future financial or economic performance; (2) statements that are not historical information; (3) statements of our beliefs, intentions, plans and objectives for 2023, including those contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," (4) statements relating to our operations or activities for our fiscal year 2023, October 28, 2023, 2024 ("fiscal 2023") and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodels and closures and statements regarding the potential impact of the COVID-19 pandemic and related responses and mitigation efforts, as well as the potential impact of supply chain disruptions, inflationary pressures and other economic or market conditions on our business, results of operations and financial condition and statements regarding new store development strategy; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as "will," "expects," "anticipates," "approximates," "believes," "estimates," "hopes," "intends," "may," "plans," "could," "would," "should" and any variations or negative formations of such words and similar expressions. We can give no assurance that actual results or events will not differ materially from those expressed or implied in any such forward-looking statements. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but 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: 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, the availability of credit and inflation; changes in laws, regulations or government policies 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 our ability of any such new stores to grow and perform as expected; adverse weather, public health threats (including the global COVID-19 pandemic) 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; adverse developments or volatility affecting the financial services industry or broader financial markets; and other factors discussed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 ("fiscal 2022"), as amended or supplemented, and in other reports we file with or furnish to the Securities and Exchange Commission ("SEC") from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

THE CATO CORPORATION **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL** **CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The Company's accounting policies are more fully described in "Management's Discussion and Analysis of

Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023. As disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company's financial statements include the calculation of potential asset impairment, reserves relating to self-insured health insurance, workers' compensation, general and auto insurance liabilities, uncertain tax positions, the allowance for customer credit losses, and inventory shrinkage.

The Company's critical accounting policies and estimates are discussed with the Audit Committee.

THE CATO CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

25

RESULTS OF OPERATIONS:

The following table sets forth, for the periods indicated, certain items in the Company's unaudited Condensed Consolidated Statements of Income as a percentage of total retail sales:

Three Months Ended

Six Nine Months Ended

July October 28, 2023

October 29, 2022

October 28, 2023

July 30, 2022

July October 29, 2023

July 30, 2022

Total retail sales

100.0

%

100.0

%

100.0

%

100.0

%

Other revenue

0.9 1.0

1.0

0.9

0.9

Total revenues

100.9 101.0

101.0

100.9

100.9

Cost of goods sold (exclusive of depreciation)

64.9 67.5

67.6 70.7

64.5 65.4

66.0 67.5

Selling, general and administrative (exclusive of depreciation)

34.0 39.4

31.2 35.1

33.3 35.1

30.3 31.8

Depreciation

1.4 1.6

1.6

1.4

1.3

THE CATO CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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RESULTS OF OPERATIONS (CONTINUED):

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Condensed Consolidated Financial Statements and the Notes to those statements included in the "Financial Statements" section of this Quarterly Report on Form 10-Q, as well as our 2022 Annual Report on Form 10-K.

Recent Developments

Inflationary Cost Pressure and Rising High Interest Rates

Despite some reduction in inflationary pressures from last year, Cato's wages, operating supplies, and service costs wages, operating supplies, and service costs continue

including higher continue to be negatively impacted by the current inflationary environment. In addition, our customers' disposable income is impacted by increased costs related to customers' disposable income is impacted by increased costs related to fuel, food, and housing, including rent, and other as well as consumable products relative other consumable products to flattening wage across the economy rates, which in part, negatively impact our customers' willingness to purchase discretionary items such as apparel, jewelry and shoes.

In response, to inflationary pressures, the Federal Reserve began raising, and is committed to continue continue raising, interest rates until inflationary pressures subside to acceptable levels. These rising Though the Federal interest Reserve has paused raising rates, have it has indicated it is committed to reducing inflation to its targeted levels. These high interest rates have adversely affected the availability and cost of credit for both businesses and our customers. Increasing Increasing costs related to revolving credit, credit, auto loans and mortgages continue to have a negative to negatively impact on our customers' discretionary income. Our customers' willingness to purchase our products may continue to be continue to be negatively impacted by these inflationary pressures and high interest rates.

We believe high prices, prices and interest rates negatively impacted the first half of fiscal 2023 and will likely continue to have a negative impact on consumer behavior and, by extension, our results three quarters of operations fiscal 2023 and will likely continue to have a negative impact on consumer behavior and, financial by extension, our results of operations and financial condition during the remainder of fiscal 2023.

Comparison of the Three and Six Nine Months ended July 29, 2023 October 28, 2023 with July 30, October 29, 2022

Total retail sales for the third quarter were \$156.7 million compared to last year's third quarter sales of \$174.9 million, a 10% decrease. The Company's sales decrease in the second third quarter quarter of fiscal 2023 was primarily due to an 8% decrease in same-store sales and closed stores, partially offset by sales from new stores. For the nine months ended October 28, 2023, total retail sales were \$181.2 million 528.2 million compared to last year's second quarter sales comparable nine month sales of \$195.0 \$574.9 million, a 7% an 8% decrease. The Company's decrease in sales decrease in the first second quarter nine months of fiscal

2023 was due primarily to fiscal 2023 is primarily due to a 5% 6% decrease in same-store sales and permanently closed stores, partially offset by sales from new stores. For the six months ended July 29, 2023, total retail sales were \$371.5 million compared to last year's comparable six month sales of \$399.9 million, a 7% decrease. The decrease in sales in the first six months of fiscal 2023 was also due primarily to a 5% decrease in same-store sales and permanently closed stores, partially offset by sales from new stores. Same-store sales include stores from that have been open more than 15 months. Stores that have been relocated or sales include expanded are stores that also included in the same-store sales calculation after they have been open more than 15 months. Stores that have been relocated or expanded are also included in the same-store sales calculation after they have been open more than 15 months. The method of calculating same-store sales varies across the retail industry. As a result, our same-store sales calculation may not be comparable to same-store sales calculation may not be comparable to similarly titled measures reported by other companies.

E-commerce companies. E-commerce sales were less than 5% of total sales for the six nine months ended July October 29, 28, 2023 and are

included in the same-store sales calculation. Total revenues, comprised of sales and other revenue (principally (principally finance finance charges and late fees on customer accounts receivable and late layaway fees on customer accounts receivable and layaway fees), were \$182.9 million \$158.3

million and \$374.9 million \$533.2 million for the three and six nine months ended July October 28, 2023, compared to \$196.9 million \$176.6

million and \$403.6 million \$580.2 million for the three and six nine months ended July 30, October 29, 2022, respectively. The

respectively. The Company operated 1,247 1,245 stores at July 29, 2023 October 28, 2023 compared to 1,312 1,317 stores at the end of last year's third

THE CATO CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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year's second quarter. During the first six nine months of fiscal 2023, the Company opened eight nine stores and closed closed 41 44 stores.

The Company currently expects to close approximately 80 approximately 110 stores in total in fiscal 2023. Credit revenue of \$0.7 million represented 0.4% of total revenues in the second third quarter of fiscal 2023,

compared to 2022 credit revenue of \$0.6 million or 0.3% of total revenues. Credit revenue is comprised of interest earned on the Company's private label credit card portfolio and related fee income. Related expenses principally include payroll, postage and other administrative expenses and totaled \$0.4 million in the second quarter of fiscal 2023, compared to last year's second quarter expense of \$0.4 million.

Other revenue, a component of total revenues, was \$1.7 million and \$3.4 million for the three and six months ended July 29, 2023, respectively, compared to \$1.9 million and \$3.6 million for the prior year's comparable component of total revenues, was \$1.6 million and \$5.0 million for both the three and six months ended October 28, 2023, respectively, compared to a decrease \$1.7 million and \$5.4 million for the prior year's comparable three and nine month periods. The decrease in Other revenue for both the three and nine months was due to decreases in gift card breakage and e-commerce shipping revenue partially offset by increases in finance charges and late fees associated with the Company's proprietary credit card.

Cost of goods sold was \$117.6 million, or 64.9% of retail sales and \$239.7 million, or 64.5% of retail sales for the three and six months ended July 29, 2023 October 28, 2023, respectively, compared to \$131.7 million \$123.8 million, or 67.6% of retail sales and \$264.0 million, and \$387.7 million, or 66.0% of retail sales for the comparable three and nine month periods of fiscal 2022. The overall decrease in cost of goods sold as a percent of retail sales for the second quarter and first half of fiscal 2023 resulted primarily from both lower ocean freight costs and outbound freight costs increased to our sales of stores, regular priced goods, partially offset by deleveraging of merchandise costs

occupancy and buying costs. Cost of goods sold includes includes merchandise costs (net of discounts and allowances), buying costs, distribution costs, occupancy costs, freight and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs.

Buying and distribution costs include payroll, payroll-related costs and operating expenses for the buying departments and distribution center. Occupancy costs include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Total gross margin dollars (retail sales less cost of goods sold exclusive of depreciation) increased decreased by 0.5% 0.6% to \$63.6 million for the second quarter of fiscal 2023 and decreased by 3.0% 2.4% to \$131.8 million for the first six months of fiscal 2023, compared to \$63.3 million \$51.2 million and \$135.9 million \$187.1 million for the prior year's comparable three and six months of fiscal 2022, respectively. Gross margin as presented may not be comparable to those of other entities.

Selling, general and administrative expenses ("SG&A") primarily include corporate and store payroll, related payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees. SG&A expenses were \$61.8 million, or 39.4% of retail sales and \$185.3 million, or 35.1% of retail sales for the second quarter and first six months of fiscal 2023, respectively, compared to \$60.8 million, or \$61.4 million 31.2% of retail sales and \$121.2 million, or 30.3% of retail sales for the prior year's comparable three

THE CATO CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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is was primarily attributable to the Company's receipt of insurance proceeds of a Business Recovery Grant from the state of North

Carolina in 2022, partially offset by higher amounts earned on investments due to higher interest rates.

Income tax benefit was \$4.3 million and \$0.8 million for the second third quarter of fiscal 2022

related to hurricane damage in 2021.

Income tax expense was \$1.3 million and \$3.5 million for the second quarter and first six nine months of fiscal 2023, respectively, compared to \$5.7 a tax benefit of \$4.7 million and a tax expense of \$7.6 3.0 million for the comparable three and nine month six month periods of fiscal 2022, respectively. For the first six nine months of fiscal

2023, the Company's effective effective tax rate was 38.5% was 60.4% compared to 50.6% for to 49.7% for the first six nine months of of fiscal 2022. The change in the 2023 year-

to-date year-to-date effective tax rate was primarily due to a decrease in foreign rate differential and the release of reserves for uncertain tax positions, offset by decreases in Global Intangible Low-taxed Income Income (GILTI), state income taxes, non-deductible officer's compensation, and increases in foreign tax credits and employment credits, partially offset by the foreign rate differential, as percentages on a pre-tax loss.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:

The Company believes that its cash, cash equivalents and short-term investments, together with cash flows from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's regular operating requirements and expected capital expenditures for fiscal 2023 and the next 12 months.

Cash provided by operating activities during the first six nine months of fiscal 2023 was \$21.6 million as compared to \$17.0 million \$19.3 million provided in the first six nine months of fiscal 2022. Cash The decrease in cash provided by of \$7.6 million for operating activities for the first six nine months of fiscal 2023 was primarily generated by earnings adjusted for depreciation and changes in working capital. The increase in cash provided of \$4.6 million for the first six months of fiscal

2023 as compared to the first first six nine months of fiscal 2022 was primarily due to a net loss in 2023 compared to net income in 2022, was primarily due to a smaller decrease in and higher accounts receivable, partially offset by lower accounts payable and accrued liabilities.

At liabilities October from the fiscal year end and lower inventory, partially offset by higher accounts receivable and lower net income.

At July 29, 2023, the Company had working capital of \$103.4 million compared to \$74.7 million at January 28, 2023.

The increase in working capital is primarily attributable to a decrease in current lease liability and an increase in cash, partially offset by a decrease in inventory and short-term investments.

As of July 29, 2023, the Company has an unsecured revolving credit line, which provides for borrowings of up to \$35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On August 9, 2023, the Company had working capital of \$76.8 million compared to \$74.7 million at January 28, 2023.

The increase in working capital was primarily attributable to a decrease in current lease liability and an increase in cash, partially offset by a decrease in inventory and short-term investments.

As of October 28, 2023, the Company has an unsecured revolving credit line, which provides for borrowings of up to \$35.0 million, less the balance of any revocable letters of credit related to purchase commitments, and is committed through May 2027. The revolving credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On October 24, 2023, the Company amended the revolving credit agreement to modify a definition used in calculating the Company's minimum EBITDAR coverage ratio to add back certain income tax receivables for purposes of calculating link the ratio.

For calculation of the Company's EBITDAR coverage ratio to the amount of the Company's cash and investments.

Though the effect of the amendment reduced the minimum EBITDAR coverage ratio for the quarter ended October 28, 2023 and is expected to do so going forward, the Company was in compliance with the amended credit agreement for the quarter ended July 29, October 28, 2023 after giving effect to the amendment, and also the Company was would have been in compliance with giving effect to the credit agreement amendment. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of

July 29, October 28, 2023. The weighted average interest rate under the credit facility credit facility was zero at July 29, 2023 October 28, 2023 due to no borrowings outstanding.

Expenditures for property and equipment totaled \$8.5 million in the first six months of fiscal 2023, compared to \$10.4 million in last fiscal year's first six months. The decrease in expenditures for property and equipment was primarily and due equipment to totaled finishing \$10.3 projects related to investments million in the distribution first nine months of fiscal 2023, compared to \$14.4 million in last fiscal year's first nine months. The decrease in expenditures for property and equipment was primarily due to finishing projects related to investments in the distribution center and information technology. For the full fiscal 2023 year, the Company expects to invest approximately \$17.0 million for 12.0 million for capital expenditures.

THE CATO CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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Net cash provided by investing activities totaled \$23.8 million \$6.1 million in the first six nine months of fiscal 2023 compared to \$10.1 \$0.2 million net cash provided provided in the the comparable period of 2022. The increase in net cash provided in 2023 was primarily due to a net decrease in the purchase of short-term investments and a decrease in capital expenditures.

Net cash used in financing activities totaled \$9.3 million \$12.7 million in the first six nine months of fiscal 2023 compared to \$16.7 \$22.2 million used in the comparable period of fiscal 2022. The decrease in net cash used in fiscal 2023 was primarily due to lower stock repurchases and lower dividends.

As On November 16, 2023, the Board of Directors maintained the quarterly dividend at July \$0.17 per share. As of 29, October 28, 2023, the Company had 909,653 shares remaining in open authorizations under its share repurchase program.

The Company does not use derivative financial instruments.

The Company's investment portfolio was primarily invested in corporate bonds and tax-exempt and taxable governmental debt securities held in managed accounts with underlying ratings of A or better at July 29, 2023 October 28,

2023 and January 28, 2023. The state, municipal and corporate bonds have contractual maturities which range from four days to 3.1 years. range from one day to 2.6 years. The U.S. Treasury Notes have contractual maturities which range from two 79 days days to

2.62.3 years. These securities are classified as available-for-sale and are recorded as Short-term investments, investments, Restricted cash and Other assets on the accompanying Condensed Consolidated Balance Sheets. These assets are carried at fair value with unrealized gains and losses reported net of taxes in Accumulated other comprehensive income. The asset-backed securities are bonds comprised of auto loans and bank credit cards cards that carry AAA ratings. The auto loan asset-backed securities are backed by static pools of auto loans that were originated and serviced by captive auto finance units, banks or finance companies. The bank credit card asset-backed securities are backed by revolving pools of credit card receivables generated by account holders of cards from American Express, Citibank, JPMorgan Chase, Capital One and Discover.

Additionally, at July October 29, 2023, the Company had \$0.90.8 million of corporate equities and deferred compensation plan assets of \$9.5 million \$9.0 million. At January 28, 2023, the Company had \$0.9 million of corporate

equities and deferred compensation plan assets of \$9.3 million. All of these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets. See Note 7, Fair Value Measurements.

RECENT ACCOUNTING PRONOUNCEMENTS:

See Note 8, Recent Accounting Pronouncements.

THE CATO CORPORATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

The Company is subject to market rate risk from exposure to changes in interest rates based on its financing, investing and cash management activities, but the Company does not believe such exposure is material.

ITEM 4. CONTROLS AND PROCEDURES:

We carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as of July 29, October 28, 2023. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of July 29, October 28, 2023, our disclosure controls and procedures, as defined in Rule 13a-15(e), under the Securities Exchange Act of 1934 (the "Exchange Act"), were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) has occurred during the Company's fiscal quarter ended July 29, 2023 October 28, 2023 that has materially affected,

or is reasonably likely to materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

THE CATO CORPORATION
PART II OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS:

Not Applicable.

ITEM 1A. RISK FACTORS:

In addition to the other information in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended January 28, 2023. These risks could materially affect our business, financial condition or future results; however, they are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

THE CATO CORPORATION

PART II OTHER INFORMATION

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS:

The following table summarizes the Company's purchases of its common stock for the three months ended **July 29, 2023** **October 28, 2023**:

ISSUER PURCHASES OF EQUITY SECURITIES

Total Number of

Maximum Number

Shares Purchased as

(or Approximate Dollar

Total Number

Average

Part of Publicly

Value) of Shares that may

Fiscal

of Shares

Price Paid

Announced Plans or

Yet be Purchased Under

Period

Purchased

per Share (1)

Programs (2)

The Plans or Programs (2)

May August 2023

34,726 -

\$

8.30 -

34,726 -

June September 2023

-

-

-

July October 2023

-

-

-

Total

34,726 -

\$

8.30 -

34,726 -

909,653

(1)

Prices include trading costs.

(2)

As of April July 29, 2023, the Company's share repurchase program had 944,379 909,653 shares remaining in open authorizations. During the second third quarter ended July 29, October 2023, the Company repurchased and retired

THE CATO CORPORATION

PART II OTHER INFORMATION

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ITEM 4. MINE SAFETY DISCLOSURES:

Not Applicable.

ITEM 5. OTHER INFORMATION:

During the three months ended July October 28, 2023, 29, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Company's directors Securities Exchange Act of 1934, as amended) adopted

or officers terminated

a "Rule

10b5-1 trading arrangement" or a "

non-Rule

10b5-1

trading arrangement" (as defined in

Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or such terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined in

Item 408

of Regulation S-K).

ITEM 6. EXHIBITS:

Exhibit No.

Item

3.1

Registrant's Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.

3.2

Registrant's Amended and Restated By-Laws, incorporated by reference to Exhibit 3.2 to Form 10-Q of the Registrant for the quarter ended May 2, 2020.

10.1**

Second Amendment, dated as of August 9, 2023, to Credit Agreement, dated as of May 19 2022, among the Registrant, the banks party thereto and Wells Fargo Bank, National Association.

10.2*

Third Amendment, dated as of October 24, 2023, to Credit Agreement, dated as of May 19 2022, among the party hereto, Registrant, the banks party thereto party thereto and Wells Fargo and Wells Fargo Bank, National Association.

31.1*

Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.

31.2*

Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.

32.1*

Section 1350 Certification of Principal Executive Officer.

32.2*

Section 1350 Certification of Principal Financial Officer.

101.1*

The following materials from Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended **October 29, 2023**, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the Three Months and **Six Nine Months Ended July 29, 2023 and October 29, 2023**, **and July 30, 2022, October 29, 2023 and July 30, 2022;**

October 29, 2022; and (v) Notes to Condensed Consolidated Financial Statements.

104.1

Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101.1*)

THE CATO CORPORATION

PART II OTHER INFORMATION

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* Submitted electronically herewith.

** Included herein solely to correct an incorrect hyperlink in the Exhibit Index to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2023.

THE CATO CORPORATION
PART II OTHER INFORMATION

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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 23, November 21, 2023

/s/ John P. D. Cato

Date

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

August 23, November 21, 2023

/s/ Charles D. Knight

Date

Charles D. Knight
Executive Vice President
Chief Financial Officer

1

Execution

Version

SECOND

AMENDMENT

TO CREDIT

AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT

(this "Amendment"), dated as of August 9, 2023, is by and among THE CATO CORPORATION, a Delaware corporation (the

"Borrower"), the Banks (as defined below) party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as agent on behalf of the Banks under the Credit Agreement (as hereinafter defined) (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

WITNESSET

H

WHEREAS

, the Borrower, certain Domestic Subsidiaries of the Borrower as may be from time to time party thereto, certain banks and financial institutions

from time to time party thereto (the "Banks")

and the Agent are parties to that certain Credit Agreement dated as of May 19, 2022 (as amended by that certain First Amendment to Credit Agreement, dated as of June 6, 2022, and as further amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement");

WHEREAS

, the Borrower has requested that the Required Banks and Agent amend certain provisions of the Credit Agreement; and

WHEREAS

, the Required Banks and the Agent are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE

, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE

AMENDMENTS

TO CREDIT

AGREEMENT

1.1 Amendment to Definition of EBITDAR

. The definition of EBITDAR set forth in

Section 1.01 of the Credit Agreement is hereby amended by changing the second clause "(a)" to clause "(b)".

1.2 Amendment to Definition of Minimum EBITDAR Coverage Ratio

. The definition of Minimum EBITDAR Coverage Ratio set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Minimum EBITDAR Coverage Ratio" means, as of the end of any Fiscal Quarter, the ratio of (i) EBITDAR for the four-Fiscal Quarter period then ended, minus (a) Taxes paid in

Cash for such four-Fiscal Quarter period, plus (b) following the date the financial statements are delivered pursuant to Section 5.01 for the Fiscal Quarter ended July 29, 2023 and without duplication of any amounts set forth in clause (b)(ii) of the definition of EBITDAR, the amount of income tax returns anticipated by the Borrower in good faith to be received from

2

Receivables received from the Internal Revenue Service and (B) the addback set forth in this clause (b) shall no longer be available from and after the earlier of (I) receipt by the Borrower of any Income Tax Receivables from the Internal Revenue Service and (II) any reporting period

following the end of the Fiscal Year ending February 3, 2024, to (ii) the Fixed Charges for such four-Fiscal Quarter period.

ARTICLE II

CONDITIONS OF EFFECTIVENESS

This Amendment shall become effective as of the day and year set forth above (the "Second Amendment Effective Date") when the Agent shall have received a copy of this Amendment duly executed by each of the Borrower, the Required Banks and the Agent.

ARTICLE

III MISCELLANEOUS

3.1 Amended

Te
rms.

On and after the Second Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2 Reaffirmation of Obligations.

The Borrower hereby ratifies the Credit Agreement as amended by this Amendment and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement as so amended applicable to it and (b) that it is responsible for the observance and full performance of its Obligations.

3.3 Loan Document.

This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

3.4 Further Assurances.

The Borrower agrees to promptly take such action, upon the request of the Agent, as is necessary to carry out the intent of this Amendment.

3.5 Entirety.

This Amendment and the other Loan Documents embody the entire agreement among the parties hereto relating to the subject matter hereof and thereof and supersede all previous documents, agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

3.6 Counterparts; Telecopy.

This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which when so executed and delivered will constitute an original, but all of which when taken together will constitute a single contract.

Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

3.7 No Actions, Claims, Etc.

As of the date hereof, the Borrower hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Agent, the Banks, or the Agent's or the Banks' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

3.8 NORTH CAROLINA

AW.

THIS AMENDMENT SHALL BE CONSTRUED IN

ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NORTH CAROLINA.**3.9 Successors and Assigns.**

This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.10 Expenses.

Notwithstanding the provisions of Section 9.03 of the Credit Agreement, each party hereto agrees that it shall be responsible for its own expenses in connection with this Amendment;

provided however the Borrower shall pay fees and disbursements of outside counsel for the Agent in connection with the preparation of this Amendment in the amount of \$6,000.

3.11 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.

The jurisdiction, service of process and waiver of jury trial provisions set forth in Section 9.16 of the Credit Agreement are hereby incorporated by reference,
mutatis mutandis.

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4

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:

5

THE CATO CORPORATION

By:/s/ Charles D. Knight

Charles D. Knight
Executive Vice President and Chief Financial Officer

6

AGENT AND
BANKS:

7

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent, Issuing Bank and as a Bank
By/s/ Brad D. Bostick

Name: Brad D. Bostick: Title: Senior Vice President

1

Execution

Version

THIRD

AMENDMENT

TO CREDIT

AGREEMENT

THIS THIRD

AMENDMENT

TO CREDIT

AGREEMENT

(this

"Amendment"),

dated as

of October 24, 2023, is by and among THE CATO CORPORATION, a Delaware corporation

(the "Borrower"),

the Banks (as defined below) party hereto and WELLS FARGO BANK,

NATIONAL

ASSOCIATION, as agent on behalf of the Banks under the Credit Agreement (as hereinafter defined)

(in such capacity, the

"Agent").

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit

Agreement.

WITNESSETH

WHEREAS,

the Borrower, certain Domestic Subsidiaries of the Borrower as may be from time to time party thereto, certain banks and financial institutions from time to time party thereto (the

"Banks")

and the Agent are parties to that certain Credit Agreement dated as of May 19, 2022 (as amended by that certain First Amendment to Credit Agreement, dated as of June 6, 2022, that certain Second Amendment

to Credit Agreement, dated as of August 9, 2023, and as further amended, modified, extended, restated,

replaced, or supplemented from time to time, the "Credit Agreement");

WHEREAS,

the Borrower has requested that the Required Banks and Agent amend certain provisions of the Credit Agreement;

and

WHEREAS,

the Required Banks and the Agent are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

NOW,

THEREFORE,

in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged.

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\$100,000,000.

1.2 Amendment to Section 5.01.

Section

5.01(k)

of the Credit Agreement is

hereby renumbered to "Section 5.01(1)" and a new Section 5.01(k) is herefollows: d and shall read as (k) *Promptly upon the occurrence of a Liquidity Event, written notice to the Agent.*

1.3 Amendment to Section 5.03.

Section 5.03 of the Credit Agreement is hereby amended

and restated in its entirety to read as follows:

2

SECTION

5.

03 Minimum EBITDAR Coverage Ratio.

Commencing

as of the last day of

the first Fiscal Quarter of Fiscal Year 2022, and in each case continuing the last day of each Quarter ending thereafter, the Minimum EBITDAR Coverage Ratio shall not be less than (a) to the extent Liquidity at any time during such Fiscal Quarter was less than

\$100,000,000,

1.15 to 1.0

or

(b) otherwise, 1.05 to 1.0.

To

the extent (i) a Liquidity Event

occurs and (ii) the Minimum

EBITDAR

Coverage Ratio as of the most recently ended Fiscal

Quarter for which Financial Statements

have been delivered was less than 1.05 to 1.0, the

Borrower shall be in violation of this Section 5.03

and an immediate Event of Default shall occur pursuant to Section

ARTICLE II CONDITIONS

TCEFFECTIVENESS

This Amendment shall become effective as of the day and year set forth above (the

"Third Amendment Effective Date") when the Agent shall have received a copy of this Amendment duly executed by each of the Borrower, the Required Banks and the Agent.

ARTICLE

II MISCELLANEOUS

3.1 Amended Terms.

On and after the Third Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by Amendment.

Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2

Reaffirmation of Obligations.

The Borrower hereby ratifies the Credit Agreement

as amended by this Amendment and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement as so amended applicable to it and (b) that it is responsible for the observance and full

3

3.7 No Actions. Claims. Etc.

As of the date hereof, the Borrower hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and

4

liabilities of whatever kind or nature, in law or in equity, against the Agent, the Banks, or the Agent's or the Banks' respective officers, employees, representatives, agents, counsel or directors arising from action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

3.8 NORTH CAROLINA LAW. THIS

AMENDMENT

SHALL BE CONSTRUED

IN

ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NORTH CAROLINA.

3.9 Successors and Assigns.

This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.10 Expenses.

Notwithstanding the provisions of Section 9.03 of the Credit Agreement,

each party hereto agrees that it shall be responsible for its own expenses in connection with

this

Amendment;

provided

however the Borrower shall pay fees and disbursements of outside counsel for the Agent in connection with the preparation of this

Amendment in the amount of \$5,000.

3.11 Consent to Jurisdiction; Service of Process; Waiver

of Jury

Tr

ial.

The

jurisdiction,

service of process and waiver of jury trial provisions set forth in Section 9.16 of the

Credit

Agreement

are hereby incorporated by reference,

mutatis mutandis.

[REMAINDER

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exhibit102p6i0

5

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above BORROWER:

THE CATO

CORPORATBy:\n

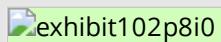
Charles D.

Knight

Executive Vice President and Chief Financial Officer

6

AGENT AND
BANKS:



7

WELLS FARGO BANK, NATIONAL

ASSOCIATION,

as Agent, Issuing Bank and as a

Bank

By:

Name: Brad D.

Bostick:

Title: Senior Vice

President

1

EXHIBIT 31.1

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John P. D. Cato, certify that:

1.
I have reviewed this report on Form 10-Q of The Cato Corporation (the "Registrant");
2.
Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3.
Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4.
The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a)
Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b)
Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c)
Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

1

EXHIBIT 31.2

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a), AS ADOPTED**

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles D. Knight, certify that:

1. I have reviewed this report on Form 10-Q of The Cato Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

EXHIBIT 32.1**CERTIFICATION OF PERIODIC REPORT**

I, John P. D. Cato, Chairman, President and Chief Executive Officer of The Cato Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1.

the Form 10-Q of the Company for the quarter ended July 29, 2023 October 28, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 23, 2023 November 21, 2023

/s/ John P. D. Cato

John P. D. Cato

Chairman, President and

Chief Executive Officer

1

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

I, Charles D. Knight, Executive Vice President, Chief Financial Officer of The Cato Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Form 10-Q of the Company for the quarter ended **July 29, 2023** **October 28, 2023** (the "Report" "Report") fully complies with the the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **August 23, 2023** **November 21, 2023**

/s/ Charles D. Knight

Charles D. Knight

Executive Vice President

Chief Financial Officer

DISCLAIMER

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