

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 November 2, 2024

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

Declaration

56-0484485

(State or other jurisdiction of incorporation or organization, 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2024, there were 18,774,124 shares of Class A common stock and 63,652 shares of Class B common stock outstanding.

**THE CATO  
CORPORATION  
FORM 10-Q**

**Quarter Ended November 2,  
2024**

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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		Nine Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
(Dollars in thousands, except per share data)				
<b>REVENUES</b>				
Retail sales	\$ 144,642	\$ 156,682	\$ 486,848	\$ 528,174
Other revenue (principally finance charges, late fees and layaway charges)	1,528	1,574	5,049	5,003
Total revenues	<u>146,170</u>	<u>158,256</u>	<u>491,897</u>	<u>533,177</u>
<b>COSTS AND EXPENSES, NET</b>				
Cost of goods sold (exclusive of depreciation shown below)	102,955	105,832	324,582	345,536
Selling, general and administrative (exclusive of depreciation shown below)	57,876	61,792	172,809	185,344
Depreciation	2,737	2,504	7,106	7,371
Interest and other income	(2,646)	(1,523)	(10,209)	(3,754)
Costs and expenses, net	<u>160,922</u>	<u>168,605</u>	<u>494,288</u>	<u>534,497</u>
Loss before income taxes	(14,752)	(10,349)	(2,391)	(1,320)
Income tax (benefit) expense	322	(4,272)	1,614	(797)
Net loss	<u>\$ (15,074)</u>	<u>\$ (6,077)</u>	<u>\$ (4,005)</u>	<u>\$ (523)</u>
Basic loss per share	<u>\$ (0.79)</u>	<u>\$ (0.30)</u>	<u>\$ (0.24)</u>	<u>\$ (0.02)</u>
Diluted loss per share	<u>\$ (0.79)</u>	<u>\$ (0.30)</u>	<u>\$ (0.24)</u>	<u>\$ (0.02)</u>
Comprehensive income (loss)				
Net loss	\$ (15,074)	(6,077)	(4,005)	(523)
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of \$0 and \$17 for the three and nine months ended October 28, 2023, respectively	(151)	201	(223)	723
Comprehensive income (loss)	<u>\$ (15,225)</u>	<u>\$ (5,876)</u>	<u>\$ (4,228)</u>	<u>\$ 200</u>

See notes to condensed consolidated financial statements (unaudited).

**THE CATO  
CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<u>November 2, 2024</u>	<u>February 3, 2024</u>
<b>ASSETS</b>	<b>(Dollars in thousands)</b>	
Current Assets:		
Cash and cash equivalents	\$ 20,216	\$ 23,940
Short-term investments	65,994	79,012
Restricted cash	3,355	3,973
Accounts receivable, net of allowance for customer credit losses of \$670 and \$705 at November 2, 2024 and February 3, 2024, respectively	24,776	29,751
Merchandise inventories	107,159	98,603
Prepaid expenses and other current assets	8,705	7,783
Total Current Assets	230,205	243,062
Property and equipment – net	62,648	64,022
Other assets	19,783	25,047
Right-of-Use assets – net	111,769	154,686
Total Assets	<u>\$ 424,405</u>	<u>\$ 486,817</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 84,169	\$ 87,821
Accrued expenses	38,158	37,404
Accrued employee benefits and other	1,370	1,675
Contract lease liability	45,836	61,108
Total Current Liabilities	169,533	188,008
Other noncurrent liabilities	14,555	14,475
Lease liability	63,218	92,013
Stockholders' Equity:		
Preferred stock, \$00 par value per share, 100,000 shares authorized, none issued	-	-
Class A common stock, \$0.033 par value per share, 50,000,000 shares authorized, 18,774,124 shares and 18,802,742 shares issued at November 2, 2024 and February 3, 2024, respectively	634	635
Class B common stock, \$0.033 par value per share, \$15,000,000 shares authorized, 1,763,652 shares issued at November 2, 2024 and February 3, 2024	59	59
Additional paid-in capital	128,827	126,953
Retained earnings	47,407	64,279
Accumulated other comprehensive income	172	395
Total Stockholders' Equity	177,099	192,321
Total Liabilities and Stockholders' Equity	<u>\$ 424,405</u>	<u>\$ 486,817</u>

See notes to condensed consolidated financial statements (unaudited).

**THE CATO  
CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH  
FLOWS  
(UNAUDITED)**

	<b>Nine Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
	<b>(Dollars in thousands)</b>	
<b>Operating Activities:</b>	<b>\$ (4,005)</b>	<b>\$ (523)</b>
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	7,106	7,371
Provision for customer credit	492	397
Loss on purchase premium and discount accretion of investments	(848)	(226)
Gain on sale of assets held for sale	(5,350)	-
Share-based compensation	1,581	3,189
Deferred income taxes	-	(1,981)
Loss on disposal of property and equipment	116	13
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	1,283	(1,815)
Merchandise inventories	(8,556)	13,184
Prepaid and other	(1,315)	(1,716)
Operating lease right-of-use assets and liabilities	(1,151)	(1,499)
Accrued income taxes	-	1,375
Accounts payable, accrued expenses and other liabilities	(2,619)	(6,099)
Net cash (used in) provided by operating activities	<u>(13,266)</u>	<u>11,670</u>
<b>Investing Activities:</b>		
Expenditures for property and equipment	(6,509)	(10,271)
Purchase of short-term investments	(38,659)	(44,595)
Sales of short-term investments	52,994	60,999
Sales of other	13,674	-
Net cash provided by investing activities	<u>21,500</u>	<u>6,133</u>
<b>Financing Activities:</b>		
Dividends paid	(10,516)	(10,457)
Repurchase of common stock	(2,398)	(2,563)
Proceeds from employee stock purchase plan	338	357
Net cash used in financing activities	<u>(12,576)</u>	<u>(12,663)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(4,342)	5,140
Cash, cash equivalents, and restricted cash at beginning of period	27,913	23,792
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 23,571</u>	<u>\$ 28,932</u>
<b>Non-cash Activity:</b>		
Other assets and property and equipment expenditures	\$ 440	\$ 1,100

See notes to condensed consolidated financial statements (unaudited).

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
(Dollars in thousands, except per share data)					
<b>Balance — February 3, 2024</b>	\$ 694	\$ 126,953	\$ 64,279	\$ 395	\$ 192,321
Comprehensive income:					
Net income	-	-	10,974	-	10,974
Unrealized net losses on available-for-sale securities, net of deferred income tax expense of \$0	-	-	-	(748)	(748)
Dividends paid (\$0.17 per share)	-	-	(3,523)	-	(3,523)
Class A common stock sold through employee stock purchase plan	1	189	-	-	190
Share-based compensation issuances and exercises	13	-	5	-	18
Share-based compensation expense	-	(84)	-	-	(84)
<u>Repurchase and retirement of treasury shares</u>	<u>(14)</u>	<u>-</u>	<u>(2,223)</u>	<u>-</u>	<u>(2,237)</u>
<b>Balance — May 4, 2024</b>	\$ 694	\$ 127,058	\$ 69,512	\$ (353)	\$ 196,911
Comprehensive income:					
Net income	-	-	95	-	95
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of \$0	-	-	-	676	676
Dividends paid (\$0.17 per share)	-	-	(3,527)	-	(3,527)
Class A common stock sold through employee stock purchase plan	-	35	-	-	35
Share-based compensation expense	-	858	14	-	872
<b>Balance — August 3, 2024</b>	\$ 694	\$ 127,951	\$ 66,094	\$ 323	\$ 195,062
Comprehensive income:					
Net loss	-	-	(15,074)	-	(15,074)
Unrealized net losses on available-for-sale securities, net of deferred income tax expense of \$0	-	-	-	(151)	(151)
Dividends paid (\$0.17 per share)	-	-	(3,466)	-	(3,466)
Class A common stock sold through employee stock purchase plan	1	172	-	-	173
Share-based compensation expense	(1)	704	11	-	714
<u>Repurchase and retirement of treasury shares</u>	<u>(1)</u>	<u>-</u>	<u>(158)</u>	<u>-</u>	<u>(159)</u>
<b>Balance — November 2, 2024</b>	\$ 693	\$ 128,827	\$ 47,407	\$ 172	\$ 177,099

See notes to condensed consolidated financial statements  
(unaudited).

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
(Dollars in thousands, except per share data)					
<b>Balance — January 28, 2023</b>	\$ 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 \$7	-	-	-	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
<u>Repurchase and retirement of treasury shares</u>	<u>(8)</u>	<u>-</u>	<u>(2,259)</u>	<u>-</u>	<u>(2,267)</u>
<b>Balance — April 29, 2023</b>	\$ 683	\$ 123,555	\$ 103,426	\$ (883)	\$ 226,781
Comprehensive income:					
Net income	-	-	1,127	-	1,127
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of \$8	-	-	-	167	167
Dividends paid (\$0.17 per share)	-	-	(3,507)	-	(3,507)
Class A common stock sold through employee stock purchase plan	1	31	-	-	32
Share-based compensation expense	12	1,212	3	-	1,227
<u>Repurchase and retirement of treasury shares</u>	<u>(1)</u>	<u>-</u>	<u>(293)</u>	<u>-</u>	<u>(294)</u>
<b>Balance — July 29, 2023</b>	\$ 695	\$ 124,798	\$ 100,756	\$ (716)	\$ 225,533
Comprehensive income:					
Net loss	-	-	(6,077)	-	(6,077)
Unrealized net gains on available-for-sale securities, net of deferred income tax expense of \$9	-	-	-	201	201
Dividends paid (\$0.17 per share)	-	-	(3,495)	-	(3,495)
Class A common stock sold through employee stock purchase plan	1	188	-	-	189
<u>Share-based compensation expense</u>	<u>(1)</u>	<u>963</u>	<u>5</u>	<u>-</u>	<u>967</u>
<b>Balance — October 28, 2023</b>	\$ 695	\$ 125,949	\$ 91,189	\$ (515)	\$ 217,318

See notes to condensed consolidated financial statements  
(unaudited).

THE CATO CORPORATION  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024**  
**AND OCTOBER 28, 2023**

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**NOTE 1 - GENERAL**

The condensed consolidated financial statements as of November 2, 2024 and for the three months ended November 2, 2024 and October 28, 2023 have been prepared from the books and records of Cato Corporation and its wholly-owned subsidiaries (the "Company"), and all amounts shown are 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 and are not expected to materially affect the results of operations for the period presented.

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 February 3, 2024. Amounts as of February 3, 2024 have been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2024. The condensed consolidated financial statements include all disclosures required by accounting principles generally accepted in the United States of America.

On February 16, 2024, the Company closed on the sale of land held for investment. The sale resulted in a net gain of \$2.2 million and was included in Interest and other income in the accompanying Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the nine months ended November 2, 2024.

During the current quarter of the fiscal year, the Company received \$1.6 million from the insurance settlement and sale of its corporate jet. claim



**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024**  
**AND OCTOBER 28, 2023**

**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 multiple classes of common stock. The Company has presented one basic EPS and one diluted EPS amount for all periods shown in the 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 EPS computation is the same for Class A and Class B shares and the EPS amounts are applicable to both Class A and Class B shares.

Basic EPS is computed as net income (loss) less earnings allocated to non-vested equity awards divided by the average number of common shares outstanding for the period. Diluted EPS is computed assuming the potential dilution that could occur from common shares issuable through stock options and the Employee Stock Purchase Plan.

	Three Months Ended		Nine Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
(Dollars in thousands, except per share data)				
<b>Numerator</b>				
Net loss	\$ (15,074)	\$ (6,077)	\$ (4,005)	\$ (523)
Earnings (loss) allocated to non-vested equity awards	(200)	346	(548)	49
Net loss available to common stockholders	<u>\$ (15,274)</u>	<u>\$ (5,731)</u>	<u>\$ (4,553)</u>	<u>\$ (474)</u>
<b>Denominator</b>				
Basic weighted average common shares outstanding	<u>19,302,107</u>	<u>19,421,701</u>	<u>19,318,794</u>	<u>19,373,411</u>
Diluted weighted average common shares outstanding	<u>19,302,107</u>	<u>19,421,701</u>	<u>19,318,794</u>	<u>19,373,411</u>
<b>Net loss per common share</b>				
Basic loss per share	<u>\$ (0.79)</u>	<u>\$ (0.30)</u>	<u>\$ (0.24)</u>	<u>\$ (0.02)</u>
Diluted loss per share	<u>\$ (0.79)</u>	<u>\$ (0.30)</u>	<u>\$ (0.24)</u>	<u>\$ (0.02)</u>

THE CATO  
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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024  
AND OCTOBER 28, 2023

**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 November 2, 2024:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at August 3, 2024	\$ 323
Other comprehensive income (loss) before reclassification	(151)
Amounts reclassified from accumulated other comprehensive income to net income	-
Net current-period other comprehensive income (loss)	(151)
Ending Balance at November 2, 2024	\$ 172

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

The following table sets forth information regarding the reclassification out of Accumulated Other Comprehensive Income (in thousands) for the nine months ended November 2, 2024:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at February 3, 2024	\$ 395
Other comprehensive income (loss) before reclassification	563
Amounts reclassified from accumulated other comprehensive income to net income (b)	(786)
Net current-period other comprehensive income (loss)	(223)
Ending Balance at November 2, 2024	\$ 172

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income. (b) The tax impact of Accumulated other comprehensive income reclassifications into Interest and income for net realized gains on available-for-sale securities. The tax impact of this reclassification was \$ 286.

THE CATO  
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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024  
AND  
OCTOBER 28, 2023

**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 October 28, 2023:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at July 29, 2023	\$ (716)
Other comprehensive income (loss) before reclassification	185
Amounts reclassified from accumulated other comprehensive income to net income (b)	16
Net current-period other comprehensive income (loss)	201
Ending Balance at October 28, 2023	<u>\$ (515)</u>

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income. The tax impact of Accumulated other comprehensive income reclassifications into Interest and income for net realized gains on available-for-sale securities. The tax impact of this reclassification was \$

The following table sets forth information regarding the reclassification out of Accumulated Other Comprehensive Income (in thousands) for the nine months ended October 28, 2023:

	<b>Changes in Accumulated Other Comprehensive Income (a)</b>
	<b>Unrealized Gains and (Losses) on Available-for-Sale Securities</b>
Beginning Balance at January 28, 2023	\$ (1,238)
Other comprehensive income (loss) before reclassification	704
Amounts reclassified from accumulated other comprehensive income to net income (b)	19
Net current-period other comprehensive income (loss)	723
Ending Balance at October 28, 2023	<u>\$ (515)</u>

(a) All amounts are net-of-tax. Amounts in parentheses indicate a debit/reduction to accumulated other comprehensive income. The tax impact of Accumulated other comprehensive income reclassifications into Interest and income for net realized gains on available-for-sale securities. The tax impact of this reclassification was \$

**THE CATO CORPORATION  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024  
AND NOVEMBER 28, 2023**

**NOTE 4 – FINANCING ARRANGEMENTS:**

At November 2, 2024, the Company had a revolving credit agreement, which provides for to \$35.0 million, less the balance of any revocable letters of credit related to purchase commitments through May 2027. The credit agreement contains various financial covenants and including the maintenance of specific financial ratios. On April 25, 2024, the Company amended the revolving credit agreement to modify a definition used in calculating the Company's minimum coverage ratio to add back certain income tax receivables included in the calculation of the coverage ratio. On November 2, 2024, the Company amended the revolving credit agreement to lower the coverage ratio and the corresponding minimum cash and investments used to determine coverage ratio in exchange for a secured position in any future borrowings. For the quarter ended November 2, 2024, the amendments had no effect to the amendments, the Company was in compliance with the credit agreement. There were no borrowings outstanding or any outstanding letters of credit that reduced availability, as of November 2, 2024. The weighted average interest rate under the credit facility was 5.50% as of November 2, 2024 and no outstanding borrowings.

**NOTE 5 – REPORTABLE SEGMENT INFORMATION:**

The Company has determined that it has two operating segments, as defined under ASC 280, *Segment Reporting*, including Cato, It's Fashion, Versona and Credit. As outlined in ASC 280-10, the two reportable segments are: Retail and Credit. The Company has aggregated its operating segments, including e-commerce, based on the aggregation criteria outlined in ASC 280-10, which states that two operating segments may be aggregated into a single reportable segment if aggregation is the subjective and basic principles of ASC 280-10, which require the segments to have similar characteristics in products, production processes, clients and methods of distribution.

The Company's retail operating segments have similar economic characteristics and similar operating and competitive risks. The products sold in each retail operating segment are similar and they all offer women's apparel, shoes and accessories. Merchandise inventory of the Company's segments is sourced from the same countries and some of the same vendors, 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 as of November 2, 2024, 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 separate wholly owned subsidiaries of the Company.

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024**  
**AND OCTOBER 28, 2023**

**NOTE 5 – REPORTABLE SEGMENT INFORMATION (CONTINUED):**

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

<b>Three Months Ended November 2, 2024</b>				<b>Nine Months Ended November 2, 2024</b>			
	<b>Retail</b>	<b>Credit</b>	<b>Total</b>		<b>Retail</b>	<b>Credit</b>	<b>Total</b>
Revenues	\$145,508	\$662	\$146,170	Revenues	\$489,893	\$2,004	\$491,897
Depreciation	2,737	-	2,737	Depreciation	7,105	1	7,106
Interest and other	(2,646)	-	(2,646)	Interest and other	(10,209)	-	(10,209)
<b>Income (loss)</b>				<b>Income (loss)</b>			
before income taxes	(14,992)	240	(14,752)	before income taxes	(3,132)	741	(2,391)
Capital expenditures	1,710	-	1,710	Capital expenditures	6,509	-	6,509

  

<b>Three Months Ended October 28, 2023</b>				<b>Nine Months Ended October 28, 2023</b>			
	<b>Retail</b>	<b>Credit</b>	<b>Total</b>		<b>Retail</b>	<b>Credit</b>	<b>Total</b>
Revenues	\$157,595	\$661	\$158,256	Revenues	\$531,243	\$1,934	\$533,177
Depreciation	2,504	-	2,504	Depreciation	7,370	1	7,371
Interest and other	(1,523)	-	(1,523)	Interest and other	(3,754)	-	(3,754)
<b>Income (loss)</b>				<b>Income (loss)</b>			
before income taxes	(10,604)	255	(10,349)	before income taxes	(2,014)	694	(1,320)
Capital expenditures	1,801	-	1,801	Capital expenditures	10,271	-	10,271

	<b>Retail</b>	<b>Credit</b>	<b>Total</b>
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Total assets as of November 2, 2024	\$386,664	\$37,741	\$424,405
Total assets as of February 3, 2024	448,488	38,329	486,817

The Company evaluates segment performance based on income before income taxes. The Company does not incorporate expenses or income taxes to the credit segment.

The following schedule summarizes the direct expenses of the credit segment, which are general and selling, administrative expenses (in thousands):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Payroll	\$ 152	\$ 135	\$ 466	\$ 411
Postage	113	111	330	321
Other	157	160	466	507
<b>Expenses</b>	<b>\$ 422</b>	<b>\$ 406</b>	<b>\$ 1,262</b>	<b>\$ 1,239</b>
expenses				

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024**  
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**NOTE 6 – STOCK-BASED**

**COMPENSATION:**

As of November 2, 2024, the Company's 2018 Incentive Compensation Plan allows for the various forms of equity-based awards, including restricted stock and stock options for grant recipients and key employees.

The following table presents the number of options and shares of restricted stock initially authorized and available under this plan as of November 2, 2024:

	2018 Plan
Options and/or restricted stock initially authorized	4,725,000
Options and/or restricted stock available for grant	2,782,782

In accordance with ASC 718 *Compensation—Stock Compensation*, the fair value of current stock awards is estimated on the date of grant based on the market price of the Company's stock and is compensation expense on a straight-line basis over the related vesting period. As of November 2, 2024 and February 3, 2024, there were \$218,000 and \$334,000 respectively, of total unrecognized compensation expense related to nonvested restricted stock awards, which had a weighted average vesting period of 2.2 years and 2.1 years, respectively. The total compensation expense during the three and nine months ended November 2, 2024 was \$145,000 and \$1,520,000 respectively, compared to a total compensation expense of \$67,500 and \$1,126,000 for the three and nine months ended October 28, 2023, respectively. These compensation expenses are classified as a selling, general and administrative expenses in the Condensed Consolidated Statements of Income.

The following summary shows the changes in the number of shares of unvested restricted stock outstanding during the nine months ended November 2, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at February 3, 2024	1,123,873	\$ 11.32
Granted	386,900	4.80
Vested	(232,696)	13.22
Forfeited or expired	(48,077)	9.51
Restricted stock awards at November 2, 2024	<u>1,230,000</u>	\$ 8.97

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**NOTE 6 – STOCK BASED-COMPENSATION**

**(CONTINUED):**

The Company's Employee Stock Purchase Plan allows eligible full-time employees to purchase shares of the Company's Class A Common Stock during each semi-annual offering period through payroll deductions. During the nine months ended November 2, 2024 and October 28, 2023, the Company issued 73,593 and 50,540 shares to employees at an average discount of 15% and 1.23% per share, respectively, under the Employee Stock Purchase Plan. The compensation expense recorded for the nine months ended November 2, 2024 and October 28, 2023, respectively, was \$60,000 and \$2,000. These expenses are classified as Selling, general and administrative expenses.

**NOTE 7 – FAIR VALUE**

**MEASUREMENTS:**

The following tables set forth information regarding the Company's financial assets and liabilities at fair value (in thousands) as of November 2, 2024 and February 3, 2024:

<b>Description</b>	<b>November 2, 2024</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Assets:</b>				
State/Municipal Bonds	\$ 2,253	\$ -	\$ 2,253	\$ -
Corporate Bonds	52,649	-	52,649	-
U.S. Treasury/Agencies Notes and Bonds	10,578	-	10,578	-
Cash Surrender Value of Life Insurance	9,109	-	-	9,109
Asset-backed Securities (ABS)	514	-	514	-
<b>Total Assets</b>	<b>\$ 75,103</b>	<b>\$ -</b>	<b>\$ 65,994</b>	<b>\$ 9,109</b>
<b>Liabilities:</b>				
Deferred Compensation	\$ (8,886)	\$ -	\$ -	\$ (8,886)
<b>Total Liabilities</b>	<b>\$ (8,886)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,886)</b>

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<u>Description</u>	<u>February 3, 2024</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Assets:				
State/Municipal Bonds	\$ 12,540	\$ -	\$ 12,540	\$ -
Corporate Bonds	45,400	-	45,400	-
U.S. Treasury/Agencies Notes and Bonds	18,114	-	18,114	-
Cash Surrender Value of Life Insurance	8,586	-	-	8,586
Asset Backed Securities (ABS)	2,958	-	2,958	-
Corporate Equities	1,084	1,084	-	-
Total Assets	<u>\$ 88,682</u>	<u>\$ 1,084</u>	<u>\$ 79,012</u>	<u>\$ 8,586</u>
Liabilities:				
Deferred Compensation	\$ (8,654)	\$ -	\$ -	\$ (8,654)
Total Liabilities	<u>\$ (8,654)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,654)</u>

The Company's investment portfolio was primarily invested in corporate bonds and U.S. Treasury/Agencies held in managed accounts with underlying ratings of A or better at November 2, 2024. The state, municipal and corporate bonds have contractual maturities which range from 1 to 30 years. The U.S. Treasury/Agencies notes and bonds have contractual maturities 3 days to 270 years. These securities are classified as available-for-sale and are recorded as investments at fair value on the respective Condensed Consolidated Balance Sheets. The fair value of these assets with unrealized gains and losses reported net of taxes in Comprehensive income.

At February 3, 2024, the Company had \$1 million of corporate equities and deferred assets of 8.6million. At November 2, 2024, the Company had deferred compensation plan 9.1 million. During the nine months ended November 2, 2024, the Company sold its corporate equities and are recorded within Other assets in the Condensed Consolidated Balance Sheets.

Level 1 category securities are measured at fair value using quoted active market prices. Level 2 securities include corporate, state and municipal bonds for which quoted prices may not be available or changes for identical instruments. Their fair value is principally based on market quotations determined with the assistance of a third-party pricing service. Since quoted prices in active markets for identical assets are not available, these prices are determined by the pricing service using information such as quotes from less active markets and/or quoted prices of securities with similar characteristics, among other factors.

Deferred compensation plan assets consist of life insurance policies. These life insurance policies are based on the cash surrender value of the insurance contract, which is determined based on fair value of the underlying assets and discounted cash flow and are therefore classified within Level 3 of the hierarchy. The Level 3 liability associated with the life insurance policies represents compensation obligation, the value of which is tracked via underlying insurance funds' net asset value. Other noncurrent liabilities in the Condensed Consolidated Balance Sheet. These funds are mutual funds and money market funds that are observable and actively traded.



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The following tables summarize the change in fair value of the Company's financial assets and liabilities measured using Level 3 inputs for the nine months ended November 2, 2024 and the year ended February 3, 2024 (in thousands):

	Fair Value Measurements Significant Unobservable Inputs (Level 3)
	<u>Cash Surrender</u>
Beginning Balance at February 3, 2024	\$ Value 8,586
Redemptions	-
Additions	-
Total gains or (losses) included in interest and other income	523
Changes in net (assets) liability	9,109
Ending Balance at November 2, 2024	<u>\$ 9,109</u>

	Fair Value Measurements Significant Unobservable Inputs (Level 3)
	<u>Deferred Compensation</u>
Beginning Balance at February 3, 2024	\$ (8,654)
Redemptions	573
Additions	(175)
Total (gains) or (losses) included in interest and other income	(630)
Changes in net (assets) liability	(8,886)
Ending Balance at November 2, 2024	<u>\$ (8,886)</u>

**NONREPURATION DENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 2, 2024  
AND OCTOBER 28, 2023**

	Fair Value Measurements Significant Unobservable (Level 3)
	Cash Surrender
	\$ Value
Beginning Balance at January 28, 2024	9,274
Redemptions	(1,168)
Additions	-
Total gains or (losses):	
- included in interest and other income	
(changes in net assets)	480
Ending Balance at February 3, 2024	\$ 8,586

	Fair Value Measurements Significant Unobservable Inputs (Level 3)
	Deferred Compensation
Beginning Balance at January 28, 2024	\$ (8,903)
Recessions	1,119
Additions	(292)
Total (gains) or losses included in interest and other income	
Changes in net deferred compensation	(578)
Ending Balance at February 3, 2024	<u>\$ (8,654)</u>

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**NOTE 8 – RECENT ACCOUNTING PRONOUNCEMENTS:**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segments,” which modifies disclosure requirements for all public entities that are required to report segment information. The update will change the reporting of segments by adding significant expenses, other segment items, title and position of the chief operating decision maker (“CODM”) and how the CODM uses the reported measures to make decisions. The update also requires disclosures about a reportable segment’s profit or loss and assets in interim periods. This update is effective for fiscal years beginning after December 15, 2023 and interim periods within the reporting year beginning after December 15, 2024. Early adoption is permitted, and the guidance is applied retrospectively to all prior periods presented in the financial statements. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Disclosures,” which modifies the requirements on income tax disclosures to disaggregate information about a reporting entity’s effective tax rate reconciliation as information on income taxes paid. This guidance is effective for fiscal years beginning after December 15, 2024 for all public business entities, with early adoption and retrospective application permitted. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, “Income Statement—Reporting Comprehensive Income Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Expenses,” which requires public entities to disclose, on an annual and interim basis, disaggregated information in the footnotes about specified information related to certain costs and expenses. This guidance is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently in the process of evaluating the potential impact of adoption of this new guidance on its consolidated financial statements and related disclosures.

**NOTE 9 – INCOME TAXES:**

The Company had an effective tax rate for the first nine months of 2024 of 24.5% compared to an effective tax rate of 60.4% for the first nine months of fiscal 2023. Income tax expense for the first nine months increased to \$1.6 million in fiscal 2024 from an income tax benefit of \$8 million in fiscal 2023. The increase in tax expense in 2024 is primarily due to the valuation allowance against net deferred tax attributable to U.S. federal net operating loss carryforwards recorded in the fourth quarter of 2023 and the release of reserves for uncertain tax positions.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES:**

The Company is, from time to time, involved in routine litigation incidental to the conduct of its business, litigation regarding the merchandise that it sells, litigation regarding intellectual property, instituted by persons injured upon premises under the Company’s control, litigation with respect

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to various employment matters, including alleged discrimination and wage and hour litigation, with present or former employees.

Although such litigation is routine and incidental to the conduct of the Company's business, as with any business of its size with a significant number of employees and significant merchandise litigation could result in large monetary awards. Based on information currently available, management does not believe that any reasonably possible losses arising from current pending litigation will have a material adverse effect on the Company's condensed consolidated financial statements. However, given the uncertainties involved in such matters, an adverse outcome in one or more of such matters could materially and adversely affect the Company's financial condition, results of operations and cash flow in any particular reporting period. The Company accrues for these matters when the liability is deemed probable and reasonably estimable.

**NOTE 11 – REVENUE**

**RECOGNITION:**

The Company recognizes sales at the point of purchase when the customer takes possession of the merchandise. Sales from purchases made with cash or credit, gift cards and layaway sales from stores are also recorded when the customer takes possession of the merchandise. E-commerce sales are recorded when the risk of loss is transferred to the customer. Gift cards are recorded as deferred revenue until they are redeemed or forfeited. Gift cards do not have expiration dates. Layaway transactions are recorded as deferred revenue until the customer takes possession of the merchandise. A provision is made for estimated merchandise returns based on sales volumes and the Company's experience; actual returns have not varied materially from historical. A provision is made for estimated write-offs associated with sales made with the Company's credit card. Amounts related to shipping and handling billed to customers in a transaction are classified as Other revenue and the costs related to shipping product to customers are classified as Cost of goods sold.

The Company offers its own proprietary credit card to customers. All credit activity is performed by the Company's wholly-owned subsidiaries. None of the credit card receivables are secured. During the three and nine months ended November 2, 2024, the Company estimated customer credit losses of \$154,900 and \$192,000 respectively, compared to \$149,000 and \$21,000 for the three and nine months ended October 28, 2023, respectively. Sales purchased on the Company's proprietary credit card for the three and nine months ended November 2, 2024 were \$1.6 million and \$16.4 million, respectively, compared to \$5.7 million and \$17.4 million for the three and nine months ended October 28, 2023, respectively.

The following table provides information about receivables and contract liabilities from customers (in thousands):

	Balance as	
	November 2, 2024	February 3, 2024
Proprietary Credit Card Receivables, net	\$ 10,716	\$ 10,909
Gift Card Liability	\$ 6,266	\$ 8,143

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**NOTE 12 – LEASES:**

The Company determines whether an arrangement is a lease at inception. The Company has leases for stores, offices, warehouse space and equipment. Its leases have remaining lease terms based on the estimated likelihood of renewal. Some include options to extend the lease for up to five years, and some include options to terminate the lease within one year. The Company uses these options in determining the lease term used to establish its right-of-use assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or restrictive covenants. As most of the Company's leases do not provide an implicit rate, the Company uses its estimated borrowing rate based on the information available at commencement date of the lease in determining the present value of lease payments. The components of lease cost are shown below (in thousands):

	<b>Three Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Operating lease cost (a)	\$ 16,755	\$ 17,498
Variable lease cost (b)	\$ 490	\$ 544

(a) Includes right-of-use asset amortization of \$1.2 million and (\$0.3) million for the three months ended November 2, 2024 and October 28, 2023, respectively.

(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

	<b>Nine Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Operating lease cost (a)	\$ 50,565	\$ 53,174
Variable lease cost (b)	\$ 1,450	\$ 1,642

(a) Includes right-of-use asset amortization of \$1.6 million and (\$0.9) million for the nine months ended November 2, 2024 and October 28, 2023, respectively.

(b) Primarily related to monthly percentage rent for stores not presented on the condensed consolidated balance sheets.

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Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows (in thousands):

**Operating cash flow information:**

	<b>Three Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Cash paid for amounts included in the measurement of lease liabilities	\$ 15,584	\$ 16,671
Non-cash activity: use assets obtained in exchange for lease obligations	\$ 1,207	\$ (1,468)

	<b>Nine Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Cash paid for amounts included in the measurement of lease liabilities	\$ 46,672	\$ 50,696
Non-cash activity: use assets obtained in exchange for lease obligations	\$ 2,564	\$ 1,435

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	<b>As of</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Weighted-average remaining lease term	1.7 years	1.8 years
Weighted-average discount rate	4.84%	3.30%

Maturities of lease liabilities by fiscal year for the Company's operating leases are as follows (in thousands):

<b>Fiscal Year</b>	
2024 (a)	\$ 15,226
2025	45,680
2026	29,745
2027	17,027
2028	8,843
Thereafter	1,171
Total lease payments	117,692
Less: Imputed interest	8,638
Present value of lease liabilities	\$ 109,054
(a) Excluding the nine months ended November 2, 2024	

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

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**FORWARD-LOOKING INFORMATION:**

The information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read along with the unaudited Condensed Consolidated Financial Statements, including the accompanying Notes appearing in this report. Any of the following are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended: (1) statements in this Form 10-Q that reflect projections 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 future operations, 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 the fiscal year ending February 1, 2025 ("fiscal 2024") and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, and closures, and statements regarding the potential impact of supply chain disruptions, extreme weather conditions, inflationary pressures and other economic or market conditions on our business, results of operations and financial condition and statements of plans or intentions regarding new store development plans; 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," "believes," "estimates," "hopes," "intends," "may," "plans," "could," "would," "should" and other 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 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, or continuation of negative trends 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, 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 current and potentially new 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 increase new store openings and the ability of any such new stores to grow and perform as expected; underperformance or other factors that may lead to, or affect the volume of, store closures and negatively affect the Company's financial condition, prospects, and ability to comply with its debt covenants; adverse weather, public health threats, acts of war or aggression or similar conditions that may affect our merchandise supply chain, 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 February 1, 2024 ("fiscal 2023"), 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 disclaim any obligation to update any such forward-looking information contained in this report, as the result of new information, future events, or otherwise.

**THE CATO  
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 critical accounting policies and estimates 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 February 3, 2024. 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. 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, income tax valuation allowances, liabilities 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(CONTINUED)**

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**RESULTS OF OPERATIONS:**

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 2, 2024</b>	<b>October 28, 2023</b>	<b>November 2, 2024</b>	<b>October 28, 2023</b>
Total retail sales	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%
Other	<b>1.1</b>	1.0	<b>1.0</b>	0.9
Revenue	<b>101.1</b>	101.0	<b>101.0</b>	100.9
Cost of goods sold (exclusive of	<b>71.2</b>	67.5	<b>66.7</b>	65.4
depreciation) and administrative				
(exclusive	<b>40.0</b>	39.4	<b>35.5</b>	35.1
Depreciation)	<b>1.9</b>	1.6	<b>1.5</b>	1.4
Interest and other	<b>(1.8)</b>	(1.0)	<b>(2.1)</b>	(0.7)
Loss before income taxes	<b>(10.2)</b>	(6.6)	<b>(0.5)</b>	(0.3)
Net	<b>(10.4)</b>	(3.9)	<b>(0.8)</b>	(0.1)
loss				

**THE CATO  
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 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 2023 Annual Report on Form 10-K.

**Recent**

**Developments**

*Inflationary Cost Pressure and High Interest Rates*

The pressure on our customers' disposable income continued in the first three quarters of fiscal 2024, due to prolonged and persistently higher prices caused by high inflation rates, especially related to housing and fuel, as well as high interest rates. These high interest rates have adversely affected the availability and cost of credit for our customers, including revolving credit and auto loans, and continue to negatively impact our customers' disposable income. Our customers' willingness to purchase our products may continue to be negatively impacted by these inflationary pressures and high interest rates.

Although interest rates and inflation have decreased, we believe the pressure on our customers' disposable income adversely impacted the first three quarters of fiscal 2024 and will likely continue to have a negative impact on consumer behavior and, by extension, our results of operations and financial condition during the remainder of fiscal 2024.

*Merchandise Supply Chain*

A significant amount of our merchandise is manufactured overseas, principally in Southeast Asia, and traverses through the Panama Canal or the Suez Canal. In the first quarter of 2024, the drought conditions experienced in the region surrounding the Panama Canal reduced the number of transits by approximately 37% and also reduced the permissible draft of vessels transiting the Panama Canal, reducing the volume and number of containers carried by container ships and increased our costs. Conditions improved as the Panama Canal authority increased the daily transits and the permissible draft of vessels, raising the number of transits to 95% of pre-drought operations in the second quarter and back to pre-drought levels in the third quarter. The hostilities affecting the region surrounding the Suez Canal are causing container ships to travel longer distances around the Cape of Good Hope, which is increasing for merchandise and our costs to ship these goods, as well as decreasing the pool of available vessels. The combination of these situations has negatively impacted the first nine months of 2024. In addition, the third quarter was impacted by later shipments in part due to congestion at certain Asian ports, the U.S. port strike on the east coast, and civil unrest in some Asian countries that caused merchandise to miss its shipping windows. Though conditions have incrementally improved, we believe the totality of these conditions will likely continue to have a negative impact on our results of operations and financial condition for the foreseeable future.

**Comparison of the Three and Nine Months ended November 2, 2024 with October 28, 2023**

Total retail sales for the third quarter were \$144.6 million compared to last year's third quarter sales of \$156.7 million, an 8% decrease. The Company's sales decrease in the third quarter of fiscal 2024 was primarily due to a 3% decrease in same-store sales and stores closed in the fourth quarter of 2023. For the nine months ended November 2, 2024, total retail sales were \$486.8 million compared to last year's comparable nine

**THE CATO  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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(CONTINUED)**

month sales of \$528.2 million, an 8% decrease. The decrease in sales in the first nine months of fiscal 2024 was due primarily to a 4% decrease in same-store sales and store closures. Same-store sales include stores that 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 similarly titled measures reported by other companies. E-commerce sales were less than 5% of total sales for the nine months ended November 2, 2024 and are included in the same-store sales calculation. Total revenues, comprised of retail sales and other revenue (principally finance charges and late fees on customer accounts receivable and layaway fees), were \$146.2 million and \$491.9 million for the three and nine months ended November 2, 2024, compared to \$158.3 million and \$533.2 million for the three and nine months ended October 28, 2023, respectively. The Company operated 1,167 stores at November 2, 2024 compared to 1,245 stores at October 28, 2023. During the first nine months of fiscal 2024, the Company opened one store and closed 13 stores. The Company currently expects to close approximately 65 stores total in fiscal 2024.

Credit revenue of \$0.7 million represented 0.5% of total revenues in the third quarter of fiscal 2024, compared to credit revenue of \$0.7 million or 0.4% of total revenues in the third quarter of fiscal 2023.

Credit revenue is comprised of interest earned on the Company's private label credit card portfolio and related income. Related expenses principally include payroll, postage and other administrative expenses and \$0.4 million in the third quarter of fiscal 2024, compared to last year's third quarter expense of \$0.4 million.

Other revenue, a component of total revenues, was \$1.5 million and \$5.0 million for the three and nine months ended November 2, 2024, respectively, compared to \$1.6 million and \$5.0 million for the prior year's comparable three and nine month periods. The slight decrease in Other revenue for the three months ended November 2, 2024 was due to decreases in e-commerce shipping revenue and finance charges associated with the Company's proprietary credit card, partially offset by an increase in gift card breakage income.

Cost of goods sold was \$103.0 million, or 71.2% of retail sales and \$324.6 million, or 66.7% of retail sales for the three and nine months ended November 2, 2024, respectively, compared to \$105.8 million, or 67.5% of retail sales and \$345.5 million, or 65.4% of retail sales for the comparable three and nine month periods of fiscal 2023. The overall increase in cost of goods sold as a percent of retail sales for the third quarter and first nine months of fiscal 2024 versus the comparable three and nine month periods of fiscal 2023 resulted primarily from deleveraging of occupancy and buying costs and higher distribution and freight costs, partially offset by higher selling margins. Cost of goods sold 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) decreased by 18.1% to \$41.7 million for the third quarter of fiscal 2024 and by 1.1% to \$162.3 million for the first nine months of fiscal 2024, compared to \$50.9 million and \$182.6 million for the prior year's comparable three and nine months of fiscal 2023, respectively. Gross margin presented may not be comparable to those of other entities.

Selling, general and administrative expenses ("SG&A") primarily include corporate and store payroll, payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees. SG&A expenses were \$57.9 million, or 40.0% of retail sales and \$172.8 million, or 35.5% of retail sales for the quarter and first nine months of fiscal 2024, respectively, compared to \$61.8 million, or 39.4% of retail sales and \$185.3 million, or 35.1% of retail sales for the prior year's comparable three and nine month periods,

**THE CATO  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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respectively. The decrease in SG&A expenses for the third quarter and first nine months of fiscal 2024 was primarily due to lower payroll, advertising and insurance expenses, partially offset by expenses related to the startup of our distribution center automation project.

Depreciation expense was \$2.7 million, or 1.9% of retail sales and \$7.1 million, or 1.5% of retail sales for the third quarter and first nine months of fiscal 2024, respectively, compared to \$2.5 million, or 1.6% of retail sales and \$7.4 million or 1.4% of retail sales for the comparable three and nine month periods of fiscal 2023, respectively.

Interest and other income was \$2.6 million, or 1.8% of retail sales and \$10.2 million, or 2.1% of retail sales for the three and nine months ended November 2, 2024, respectively, compared to \$1.5 million, or 1.0% of retail sales and \$3.8 million, or 0.7% of retail sales for the comparable three and nine month periods of 2023, respectively. The increase for the third quarter of fiscal 2024 compared to fiscal 2023 was primarily a gain on the disposal of the Company's corporate aircraft and higher interest earned on the Company's investments. The increase for the first nine months of fiscal 2024 compared to fiscal 2023 was primarily due to a \$3.2 million net gain on sale of land held for investment, gain on the disposal of the Company's corporate aircraft and higher interest earned on the Company's investments.

Income tax expense was \$0.3 million and \$1.6 million for the third quarter and first nine months of 2024, respectively, compared to a tax benefit of \$4.3 million and \$0.8 million for the comparable third and nine month periods of fiscal 2023, respectively. The effective income tax rate for the first nine months of fiscal 2024 was (67.5%) compared to 60.4% for the first nine months of fiscal 2023. The increase in tax expense in 2024 is primarily due to the valuation allowance against net deferred tax attributable to U.S. federal net operating loss carryforwards recorded in the fourth quarter of 2023 and a smaller release of reserves for uncertain tax positions.

**LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:**

The Company believes that its cash, cash equivalents and short-term investments, together with cash from operations, will be adequate to fund the Company's regular operating requirements and expected expenditures for the next 12 months.

Cash used in operating activities during the first nine months of fiscal 2024 was \$13.3 million as compared to \$11.7 million provided in the first nine months of fiscal 2023. The increase in cash used by operating activities of \$25.0 million for the first nine months of fiscal 2024 as compared to the first nine months of fiscal 2023 was primarily attributable to the relative change in inventory from year-end to the third quarter for both years and a subtraction of net income for non-operating gains on sale of assets held for investment, partially offset by the relative change of accounts payable from year-end to the third quarter for both years.

At November 2, 2024, the Company had working capital of \$60.7 million compared to \$55.1 million at February 3, 2024. The increase in working capital was primarily attributable to a decrease in current lease liability and an increase in inventory, partially offset by a decrease in short-term investments, cash and accounts receivable.

At November 2, 2024, the Company had a revolving credit agreement, 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 credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. On April 25, 2024, the Company amended the

**THE CATO  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
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revolving credit agreement to modify a definition used in calculating the Company's minimum EBITDA ratio to add back certain income tax receivables included in the calculation of the ratio. On November 1, 2024, the Company amended the revolving credit agreement to lower the minimum EBITDA ratio and the corresponding minimum cash and investments used to determine the EBITDAR coverage ratio in exchange for a secured position in any future borrowings. For the quarter ended November 2, 2024, after giving effect to the amendments, the Company was in compliance with the credit agreement. There were no borrowings outstanding, nor any outstanding letters of credit that reduced borrowing availability, as of November 2, 2024. The weighted average interest rate under the credit facility was zero November 2, 2024 due to no outstanding

borrowings. Expenditures for property and equipment totaled \$6.5 million in the first nine months of fiscal 2024, compared to \$10.3 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 2024 year, the Company expects to invest approximately \$7.0 million for capital expenditures.

Net cash provided by investing activities totaled \$21.5 million in the first nine months of fiscal 2024 compared to \$6.1 million net cash provided in the comparable period of 2023. The increase in net cash provided by investing activities in 2024 was primarily due to the sale of other assets, lower purchases of short-term investments, and lower capital expenditure spending, partially offset by lower sales of short-term investments.

Net cash used in financing activities totaled \$12.6 million in the first nine months of fiscal 2024 compared to \$12.7 million used in the comparable period of fiscal 2023. The slight decrease in net cash used in financing in fiscal 2024 was primarily due to lower stock repurchases, partially offset by dividends paid.

As of November 2, 2024, the Company had 442,831 shares remaining in open authorizations under its stock repurchase program.

The Company does not use derivative financial instruments.

The Company's investment portfolio was primarily invested in corporate bonds and U.S. Treasury and Agencies. Notes and Agencies held in managed accounts with underlying ratings of A or better at November 2, 2024 and February 3, 2024. The state, municipal and corporate bonds have contractual maturities which range from 183 days to 2.9 years. The U.S. Treasury/Agencies notes and bonds have contractual maturities which range from 183 days to 2.7 years. These securities are classified as available-for-sale and are recorded as Short-term investments and Other assets on the respective 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.

At February 3, 2024, the Company had \$1.1 million of corporate equities and deferred compensation plan assets of \$8.6 million. At November 2, 2024, the Company had deferred compensation plan assets of \$9.1 million. During the nine months ended November 2, 2024, the Company sold its corporate equities. All these assets are recorded within Other assets in the Condensed Consolidated Balance Sheets. See Note Fair Value Measurements.

**THE CATO  
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**RECENT ACCOUNTING PRONOUNCEMENTS:**

See Note 8, Recent Accounting  
Pronouncements.

THE CATO  
~~INFORMATION~~ 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 November 2, 2024. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of November 2, 2024, 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 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, 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 November 2, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**THE CATO  
CORPORATION  
PART II OTHER  
INFORMATION**

**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 February 3, 2024. 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 immaterial may also materially adversely affect our business, financial condition or results of operations.

**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 November 2, 2024:

**ISSUER PURCHASES OF EQUITY SECURITIES**

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Affiliated Plans or Programs (2)	Maximum Number (or Approximate Value) of Shares that may Yet be Purchased Under Plans or Programs (2)
August 2024	-	\$ -	-	-
September 2024	35,407	4.49	35,407	-
October 2024	-	-	-	-
Total	35,407	\$ 4.49	35,407	442,831

(1) Prices include trading costs.

(2) As of August 3, 2024, the Company's share repurchase program had 478,238 shares remaining open authorizations. During the third quarter ended November 2, 2024, the Company repurchased 35,407 shares under this program for approximately \$158,827 or an average price of \$4.49 per share. As of November 2, 2024, the Company had 442,831 shares remaining open authorizations. There is no specified expiration date for the Company's repurchase program.

**ITEM 3. DEFAULTS UPON SENIOR  
SECURITIES:**

Not Applicable.



**THE CATO  
CORPORATION  
PART II OTHER  
INFORMATION**

**ITEM 4. MINE SAFETY**

**DISCLOSURES:**

No matters requiring disclosure.

**ITEM 5. OTHER**

**INFORMATION:**

During the three months ended November 2, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) or 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	<a href="#">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 2020</a>
3.2	<a href="#">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</a>
10.1*	<a href="#">Fifth Amendment, dated as of November 1, 2024, to Credit Agreement, dated as of May 19, 2022, among the Registrant, the banks party thereto and Wells Fargo National Association.</a>
31.1*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</a>
31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</a>
32.1*	<a href="#">Section 1350 Certification of Principal Executive Officer</a>
32.2*	<a href="#">Section 1350 Certification of Principal Financial Officer</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.1	Cover Page Interactive Data File (Formatted in Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101.1*)

\* Submitted electronically herewith.

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

November 26, 2024

Date

/s/ John P. D.

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

November 26, 2024

Date

/s/ Charles D.

~~Charles~~ D.  
Executive Vice President  
Chief Financial Officer



**FIFTH AMENDMENT TO CREDIT  
AGREEMENT**

**THIS FIFTH AMENDMENT TO CREDIT** (this "Amendment"), dated of November 1, 2024, is by and among THE CATO CORPORATION, a Delaware corporation ("Borrower"), the other Loan Parties party hereto, the Banks (as defined below) party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as agent on behalf of the Banks under Existing Credit Agreement (as hereinafter defined) (in such capacity, the "Agent"). Capitalized terms 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 time to time party thereto, certain banks and financial institutions from time to time party thereto ("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 Second Amendment to Credit Agreement, dated as of August 9, 2023, that certain Third Amendment to Credit Agreement, dated as of October 24, 2023, that certain Fourth Amendment to Credit Agreement, dated as of April 25, 2024, and as further amended, modified, extended, restated, supplemented, or otherwise amended from time to time, the "Existing Credit Agreement" and, after giving effect to this Amendment, the "Amended Credit Agreement";

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

**WHEREAS**, the Required Banks and the Agent are willing to make such amendments to Existing 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 good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I**

**AMENDMENTS TO CREDIT AGREEMENT**

1.1 **Amendment to Section 1.01** The following defined terms are hereby added to Section 1.01 of the Existing Credit Agreement in the appropriate alphabetical order:

*"Fifth Amendment" means that certain Fifth Amendment to Credit Agreement dated as of the Fifth Amendment Effective Date, by and among the Loan Parties, the Banks party hereto and the Agent.*

*"Fifth Amendment Draw Request" means the first Revolving Credit Advance or Letter of Credit requested by the Borrower on or after the Fifth Amendment Effective Date.*

*"Fifth Amendment Effective Date" means November [ ], 2024.*

*"Security Agreement" means a security agreement executed by the Loan Parties in favor of the Agent, for the ratable benefit of the Secured Parties (as defined therein), which shall be substantially in the form and substance acceptable to the Agent in its reasonable discretion.*

1.2 **Amendment to definition of Loan Documents**. The definition of Loan Documents

set forth in Section 1.01 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

*"Loan Documents" means this Agreement, the Notes, the Letter of Credit Agreements, the Security Agreement (from and after a Fifth Amendment Draw Request), any other document evidencing, relating to or securing the Revolving Advances, or the Letters of Credit, and any other document or instrument delivered from time to time in connection with this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit, or Revolving Credit Advances, as such documents and instruments may be amended or supplemented from time to time.*

1.3 **Amendment to Section 3.02** Section 3.02 of the Existing Credit Agreement hereby amended by adding the following sentence to the end of such section:

*In addition to the forgoing, the obligation of each Bank to make the Fifth Amendment Draw Request shall be subject to receipt by the Agent of (a) a Security Agreement executed by, and enforceable against, each of the Loan Parties and (b) customary searches in the jurisdiction of incorporation of each Loan Party satisfactory to the Agent.*

1.4 **Amendment to Section 3.03** Section 3.03 of the Existing Credit Agreement hereby amended by adding the following sentence to the end of such section:

*In addition to the forgoing, the obligation of the Issuing Bank to make the Fifth Amendment Draw Request shall be subject to receipt by the Agent of (a) a Security Agreement executed by, and enforceable against, each of the Loan Parties and (b) customary searches in the jurisdiction of incorporation of each Loan Party satisfactory to the Agent.*

1.5 **Amendment to Section 5.03** Section 5.03 of the Existing Credit Agreement is amended and restated in its entirety to read as follows:

*5.03 Minimum EBITDAR Coverage Ratio. On the last day of each Fiscal Quarter, the Minimum EBITDAR Coverage Ratio shall not be less than (a) with respect to the third Quarter of 2024, 0.90 to 1.0 and (b) with respect to each subsequent Fiscal Quarter, (i) the current Liquidity at any time during such Fiscal Quarter was less than \$100,000,000, 1.15 to 1.0 or (ii) otherwise, 1.05 to 1.0. Other than with respect to the period beginning on the Amendment Effective Date through and including the date financial statements for the Fiscal Year are required to be delivered pursuant to Section 5.01, to the extent (i) a Event occurs and (ii) the Minimum EBITDAR Coverage Ratio as of the most recently 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 pursuant to Section 6.01(b).*

1.6 **Amendment to Section 5.11** Clause (o) appearing in Section 5.11 of the Agreement is hereby amended and restated in its entirety to read as follows:

*(o) Liens (i) created pursuant to the Loan Documents (including the Security Agreement) and (ii) not described in subclauses (a) through (n) above, the foregoing (i) or subclause (m) below that relate to liabilities not in excess of \$2,000,000 in aggregate; and*

1.7 **Amendment to Section 6.01** Clause (p) appearing in Section 6.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(p) the Security Agreement shall for any reason cease to create a valid and perfected Lien (subject to Liens permitted pursuant to Section 5.11) on, or security interest in, any of the Collateral (as defined in the Security Agreement) purported to be created in each case other than in accordance with the express terms hereof or thereof,

## **ARTICLE II CONDITIONS TO EFFECTIVENESS**

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

## **ARTICLE III MISCELLANEOUS**

3.1 **Amended Terms.** On and after the Fifth Amendment Effective Date, all references to the Existing Credit Agreement in each of the Loan Documents shall hereafter mean the Amended Credit Agreement as amended by this Amendment. Except as specifically amended hereby, otherwise agreed, the Existing 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 Existing Agreement as amended by this Amendment. Credit acknowledges and reaffirms (a) that it is bound by the terms of the Existing 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 Documents.** This Amendment shall constitute a Loan Document under the terms of the Amended Credit Agreement.

3.4 **Further Assurance.** The Borrower agrees to promptly take such action, upon 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 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 delivery of 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 and confirms that it has no knowledge of, nor does it acknowledge, 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 other 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 Existing Credit Agreement on 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  
NORCHINA.

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

3.10 **Expenses** Notwithstanding the provisions of Section 9.03 of the Existing 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.

3.11 **Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.** jurisdiction, service of process and waiver of jury trial provisions set forth in Section 9.16 of Existing Credit Agreement are hereby incorporated by *mutatis mutandis*. reference,  
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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed  
the date first above written.

BORROWER:

**THE CATO  
CORPORATION**

By: \_\_\_\_\_  
Charles D.  
Executive Vice President and Chief Financial Officer



Acknowledged and Agreed to:

GUARANTORS:  
LLC

CADEL

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CHW,  
LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATO OF TEXAS L.P.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATOSOUTH  
LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

catocorp.com,  
LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATOWEST, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATO SOUTHWEST, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATO WO  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF FLORIDA L.L.C.

By: \_\_\_\_\_  
Name:  
Title:

CATO OF TENNESSEE,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF VIRGINIA,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF NORTH CAROLINA,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF ILLINOIS,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF SOUTH CAROLINA,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

OHIO CATO STORES,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

CATO OF GEORGIA,  
LLC

By: \_\_\_\_\_

Name:

Title:

AGENT AND BANKS: \_\_\_\_\_

**WELLS FARGO BANK,**  
**NATIONAL ASSOCIATION** as Agent, Issuing Bank and as a  
Bank

By: \_\_\_\_\_  
Name: Brad D. Bostick  
Title: Senior Vice President



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 statement of material fact necessary to make the statements made, in light of the circumstances under which they 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, 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:
  - 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
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter case the an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to report financial information, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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



**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 ~~statement~~ ~~to~~ material fact necessary to make the statements made, in light of the circumstances ~~under which~~ ~~understand~~ 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~~ ~~present~~ in all material respects the financial condition, results of operations and cash flows of the registrant ~~and~~ ~~for~~, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure ~~procedures~~ ~~and~~ (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial ~~reporting~~ ~~as~~ ~~defined~~ (as an Exchange Act Rules 13a-15(f) and 15d-15(f)) for the ~~registrant~~ ~~and~~ ~~the~~ ~~registrant~~:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and ~~procedures~~ ~~designed~~ under our supervision, to ensure that material information relating to the registrant, ~~including~~ ~~its~~ subsidiaries, is made known to us by others within those ~~particular~~ ~~periods~~ 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 ~~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~~ ~~period~~ covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial ~~reporting~~ ~~during~~ the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter ~~case~~ ~~the~~ ~~an~~ ~~annual~~ ~~report~~) that has materially affected, or is reasonably likely to materially affect, the ~~registrant's~~ ~~internal~~ ~~control~~ over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control ~~over~~ ~~financial~~ reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or ~~persons~~ ~~performing~~ the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over ~~reporting~~ ~~processes~~ which are reasonably likely to adversely affect the registrant's ability to ~~report~~ ~~process~~, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who ~~significant~~ ~~play~~ ~~a~~ ~~significant~~ role in the registrant's internal control over financial reporting.

Date: November 26, 2024

/s/ Charles D. Knight

Charles D. Knight  
Executive Vice President  
Chief Financial Officer





**CERTIFICATION OF PERIODIC  
REPORT**

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

Certification:

1. the Form 10-Q of the Company for the quarter ended November 2, 2024 (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: November 26, 2024

/s/ John P. D.

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



**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 on the date of this

Certification:

1. the Form 10-Q of the Company for the quarter ended November 2, 2024 (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: November 26, 2024

/s/ Charles D.

Charles D.

Executive Vice President  
Chief Financial Officer

