

CATO CORP  
Form 10-Q  
December 03, 2013

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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, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-31340

**THE CATO CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

56-0484485  
(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975  
(Address of principal executive offices)

(Zip Code)

(704) 554-8510  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)



**THE CATO CORPORATION**

**FORM 10-Q**

**Quarter Ended November 2, 2013**

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**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****THE CATO CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND****COMPREHENSIVE INCOME****(UNAUDITED)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 2, 2013</b>	<b>October 27, 2012</b>	<b>November 2, 2013</b>	<b>October 27, 2012</b>
	<b>(Dollars in thousands, except per share data)</b>			
<b>REVENUES</b>				
Retail sales	\$ <b>198,786</b>	\$ 197,575	\$ <b>695,345</b>	\$ 701,815
Other revenue (principally finance charges, late fees and layaway charges)	<b>2,257</b>	2,430	<b>7,114</b>	7,597
Total revenues	<b>201,043</b>	200,005	<b>702,459</b>	709,412
<b>COSTS AND EXPENSES, NET</b>				
Cost of goods sold (exclusive of depreciation shown below)	<b>128,787</b>	130,399	<b>430,638</b>	430,690
Selling, general and administrative (exclusive of depreciation shown below)	<b>61,032</b>	58,252	<b>179,386</b>	178,828
Depreciation	<b>5,459</b>	5,346	<b>16,344</b>	16,859
Interest and other income	<b>(723)</b>	(814)	<b>(2,328)</b>	(2,705)
Cost and expenses, net	<b>194,555</b>	193,183	<b>624,040</b>	623,672
Income before income taxes	<b>6,488</b>	6,822	<b>78,419</b>	85,740
Income tax expense	<b>1,603</b>	2,153	<b>27,920</b>	32,016
Net income	\$ <b>4,885</b>	\$ 4,669	\$ <b>50,499</b>	\$ 53,724

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Basic earnings per share	\$	<b>0.17</b>	\$	0.16	\$	<b>1.73</b>	\$	1.84
Diluted earnings per share	\$	<b>0.17</b>	\$	0.16	\$	<b>1.73</b>	\$	1.84
Dividends per share	\$	<b>0.05</b>	\$	0.25	\$	<b>0.15</b>	\$	0.73
Comprehensive income:								
Net income	\$	<b>4,885</b>	\$	4,669	\$	<b>50,499</b>	\$	53,724
Unrealized gain (loss) on available-for-sale securities, net of deferred income taxes of \$188 and (\$18) for the three and nine months ended November 2, 2013 and (\$47) and (\$3) for the three and nine months ended October 27, 2012, respectively		<b>312</b>		(78)		<b>(30)</b>		(5)
Comprehensive income	\$	<b>5,197</b>	\$	4,591	\$	<b>50,469</b>	\$	53,719

See notes to condensed consolidated financial statements (unaudited).

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

	<b>November 2, 2013</b>	February 2, 2013 <b>(Dollars in thousands)</b>	October 27, 2012
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 74,055	\$ 31,069	\$ 53,075
Short-term investments	159,223	157,578	202,277
Restricted cash and investments	4,706	5,999	5,999
Accounts receivable, net of allowance for doubtful accounts of \$2,043, \$2,053 and \$2,050 at November 2, 2013, February 2, 2013 and October 27, 2012 respectively	41,156	40,016	42,790
Merchandise inventories	131,016	140,738	130,826
Deferred income taxes	4,649	4,631	3,583
Prepaid expenses	6,393	10,183	3,630
Total Current Assets	421,198	390,214	442,180
Property and equipment – net	142,991	134,227	130,635
Other assets	7,938	8,205	7,380
Total Assets	\$ 572,127	\$ 532,646	\$ 580,195
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 89,468	\$ 99,247	\$ 84,846
Accrued expenses	44,534	43,773	46,443
Accrued bonus and benefits	2,598	2,290	4,597
Accrued income taxes	15,593	14,292	9,999
Total Current Liabilities	152,193	159,602	145,885
Deferred income taxes	3,330	3,330	7,887
Other noncurrent liabilities (primarily deferred rent)	28,335	24,480	24,964
Commitments and contingencies:	-	-	-
Stockholders' Equity:			
Preferred stock, \$100 par value per share, 100,000 shares authorized, none issued	-	-	-

Class A common stock, \$.033 par value per share, 50,000,000 shares authorized; issued 27,515,706 shares, 27,543,376 shares and 27,540,724 shares at November 2, 2013, February 2, 2013 and October 27, 2012 respectively	<b>917</b>	918	918
Convertible Class B common stock, \$.033 par value per share, 15,000,000 shares authorized; issued 1,743,525 shares at November 2, 2013, February 2, 2013 and October 27, 2012	<b>58</b>	58	58
Additional paid-in capital	<b>79,325</b>	76,594	74,785
Retained earnings	<b>307,178</b>	266,843	324,767
Accumulated other comprehensive income	<b>791</b>	821	931
Total Stockholders' Equity	<b>388,269</b>	345,234	401,459
Total Liabilities and Stockholders' Equity	<b>\$ 572,127</b>	\$ 532,646	\$ 580,195

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See notes to condensed consolidated financial statements (unaudited).

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

	<b>Nine Months Ended</b>	
	<b>November 2, 2013</b>	<b>October 27, 2012</b>
	<b>(Dollars in thousands)</b>	
<b>Operating Activities:</b>		
Net income	\$ 50,499	\$ 53,724
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,344	16,859
Provision for doubtful accounts	975	1,004
Share-based compensation	2,264	2,111
Excess tax benefits from share-based compensation	(38)	(146)
Loss on disposal and write-offs of property and equipment	1,532	806
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(2,115)	(770)
Merchandise inventories	9,722	(444)
Prepaid and other assets	3,181	1,678
Accrued income taxes	1,339	(4,999)
Accounts payable, accrued expenses and other liabilities	(6,706)	(2,417)
Net cash provided by operating activities	<b>76,997</b>	<b>67,406</b>
<b>Investing Activities:</b>		
Expenditures for property and equipment	(23,781)	(30,966)
Purchase of short-term investments	(15,731)	(104,497)
Sales of short-term investments	13,906	107,964
Change in restricted cash and investments	1,293	(674)
Net cash used in investing activities	<b>(24,313)</b>	<b>(28,173)</b>

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