

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 1999

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 0-16999  
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URBAN OUTFITTERS, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA  
(State or Other Jurisdiction of  
Incorporation or Organization)

23-2003332  
(I.R.S. Employer  
Identification No.)

1809 WALNUT STREET, PHILADELPHIA, PA  
(Address of principal executive office)

19103  
(Zip Code)

(215) 564-2313  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year,  
if changed since last report)

-----  
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            X            No

TITLE OF EACH CLASS OF COMMON STOCK -----	NUMBER OF SHARES OUTSTANDING AT NOVEMBER 22, 1999 -----
Common shares, par value, \$.0001 per share	17,619,241

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PART I FINANCIAL INFORMATION

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URBAN OUTFITTERS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share data)  
(Unaudited)

	OCTOBER 31, 1999	JANUARY 31, 1999	OCTOBER 31, 1998
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,306	\$ 25,165	\$ 24,036
Marketable securities	8,371	13,032	11,258
Accounts receivable, net of allowance for doubtful accounts of \$563, \$603 and \$827 at October 31, 1999, January 31, 1999 and October 31, 1998, respectively	8,914	4,824	6,939
Inventory	32,527	21,881	26,500
Prepaid expenses and other current assets	15,501	6,653	6,758
Total current assets	72,619	71,555	75,491
Property and equipment, less accumulated depreciation and amortization	62,589	43,066	37,393
Marketable securities	13,785	12,218	11,033
Other assets	7,763	6,524	5,599
	-----	-----	-----
	\$ 156,756	\$ 133,363	\$ 129,516
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 19,688	\$ 14,763	\$ 17,471
Accrued expenses and other current liabilities	13,945	9,265	8,295
Total current liabilities	33,633	24,028	25,766
Accrued rent and other liabilities	4,495	4,041	3,781
Total liabilities	38,128	28,069	29,547
	-----	-----	-----
Shareholders' equity:			
Preferred shares; \$.0001 par, 10,000,000 authorized, none issued	--	--	--
Common shares; \$.0001 par, 50,000,000 shares authorized, 17,619,241 issued at October 31, 1999, 17,639,754 issued at January 31, 1999, and 17,617,754 issued at October 31, 1998, respectively	2	2	2
Additional paid-in capital	20,876	20,825	20,517
Retained earnings	98,082	84,934	79,749
Accumulated other comprehensive income	(332)	(467)	(299)
Total shareholders' equity	118,628	105,294	99,969
	-----	-----	-----
	\$ 156,756	\$ 133,363	\$ 129,516

See accompanying notes

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URBAN OUTFITTERS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except share and per share data)  
(Unaudited)

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	1999	1998	1999	1998
	----	----	----	----
Net sales	\$ 75,384	\$ 60,462	\$ 201,350	\$ 147,914
Cost of sales, including certain buying, distribution and occupancy costs	46,716	37,506	124,959	94,123
Gross profit	28,668	22,956	76,391	53,791
Selling, general and administrative expenses	17,145	14,849	48,225	37,135
Income from operations	11,523	8,107	28,166	16,656
Other income (expense), net	(388)	426	(2,856)	1,268
Income before income taxes	11,135	8,533	25,310	17,924
Income tax expense	5,035	3,498	12,162	7,349
Net income	\$ 6,100	\$ 5,035	\$ 13,148	\$ 10,575
Net income per common share:				
Basic	\$ 0.35	\$ 0.28	\$ 0.75	\$ 0.60
Diluted	\$ 0.34	\$ 0.28	\$ 0.74	\$ 0.59
Weighted average common shares outstanding:				
Basic	17,594,467	17,702,030	17,516,687	17,726,533
Diluted	17,965,089	17,873,003	17,862,669	17,969,232

See accompanying notes

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URBAN OUTFITTERS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(in thousands, except share data)  
(Unaudited)

	Comprehensive Income Quarter	Year-To-Date	Common Shares				Accumulated Other Comprehensive Income	Total
			Number of Shares	Par Value	Additional Paid-In Capital	Retained Earnings		
Balance at February 1, 1999			17,639,754	\$ 2	\$ 20,825	\$ 84,934	\$ (467)	\$ 105,294
Net income	\$ 6,100	\$ 13,148	--	--	--	13,148	--	13,148
Foreign currency translation adjustments, net	222	135	--	--	--	--	135	135
Comprehensive income	\$ 6,322	\$ 13,283						
Exercise of stock options			351,032	--	5,045	--	--	5,045
Purchase and retirement of common stock			(371,545)	--	(4,994)	--	--	(4,994)
Balance at October 31, 1999			17,619,241	\$ 2	\$ 20,876	\$ 98,082	\$ (332)	\$ 118,628
Balance at February 1, 1998			17,649,360	\$ 2	\$ 21,482	\$ 69,174	\$ --	\$ 90,658
Net income	\$ 5,035	\$ 10,575	--	--	--	10,575	--	10,575
Foreign currency translation adjustments, net	12	(299)	--	--	--	--	(299)	(299)

Comprehensive income	\$ 5,047	\$ 10,276					
	=====	=====					
Exercise of stock options			135,594	--	1,289	--	--
Purchase and retirement of common stock			(167,200)	--	(2,254)	--	--
			-----	-----	-----	-----	-----
Balance at October 31, 1998			17,617,754	\$ 2	\$ 20,517	\$ 79,749	\$ (299)
			=====	=====	=====	=====	=====

See accompanying notes

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URBAN OUTFITTERS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

	NINE MONTHS ENDED OCTOBER 31,	
	1999	1998
	----	----
Cash flows from operating activities:		
Net income	\$ 13,148	\$ 10,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,894	3,982
Changes in assets and liabilities:		
Increase in receivables	(4,090)	(2,442)
Increase in inventory	(10,646)	(9,372)
Increase in prepaid expenses and other assets	(1,937)	(3,021)
Increase in payables, accrued expenses and other liabilities	10,059	12,781
	-----	-----
Net cash provided by operating activities	12,428	12,503
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(25,158)	(14,482)
Purchase of marketable securities	(12,159)	(8,355)
Sales and maturities of marketable securities	14,994	8,922
Other assets	(8,150)	--
	-----	-----
Net cash used in investing activities	(30,473)	(13,915)
	-----	-----
Cash flows from financing activities:		
Exercise of stock options	5,045	1,289
Purchase and retirement of common stock	(4,994)	(2,254)
	-----	-----
Net cash provided by (used in) financing activities	51	(965)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	135	(299)
	-----	-----
Decrease in cash and cash equivalents	(17,859)	(2,676)
Cash and cash equivalents at beginning of period	25,165	26,712
	-----	-----
Cash and cash equivalents at end of period	\$ 7,306	\$ 24,036
	=====	=====

See accompanying notes

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## 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1999, filed with the Securities and Exchange Commission on April 21, 1999.

Certain prior period amounts have been reclassified to conform to the current year's presentation.

## 2. Marketable Securities

Marketable securities are classified as follows:

	<u>October 31, 1999</u>	<u>January 31, 1999</u>	<u>October 31, 1998</u>
		(in thousands)	
Current portion			
Held-to-maturity .....	\$ 6,374	\$ 9,206	\$ 9,391
Available-for-sale .....	1,997	3,826	1,867
	-----	-----	-----
	8,371	13,032	11,258
	-----	-----	-----
Noncurrent portion			
Held-to-maturity .....	13,785	12,218	11,033
	-----	-----	-----
Total marketable securities ....	\$22,156	\$25,250	\$22,291
	=====	=====	=====

The difference between the fair market value and amortized cost of marketable securities is immaterial.

## 3. Net Income Per Share

The difference between the number of weighted average common shares outstanding used for basic net income per share and the number used for dilutive net income per share represents the share effect of dilutive stock options.

## 4. Segment Reporting

Urban Outfitters is a national retailer of lifestyle-oriented general merchandise through 52 stores operating under the retail names "Urban Outfitters" and "Anthropologie," and through a catalog and web site. Sales from this retail segment account for approximately 90% of total consolidated sales. The remainder is derived from a wholesale division that manufactures and distributes apparel to the retail segment and to over 1,300 better specialty stores worldwide.

The Company has aggregated its operations into these two reportable segments based upon their unique management, customer base and economic characteristics. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. The

Company evaluates the performance of the segments based on the net sales and pretax income from operations (excluding intercompany royalty and interest charges) of the segment. Corporate expenses include expenses incurred in and directed by the corporate office that are not allocated to segments. The principal identifiable assets for each operating segment are inventory and fixed assets. Other assets are comprised primarily of general corporate assets, which principally consist of cash and cash equivalents, marketable securities and other assets. Intersegment sales are immaterial. The Company accounts for intersegment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.

4. Segment Reporting (continued)

Both the retail and wholesale segments are highly diversified. No customer comprises more than 10% of sales. Foreign operations are immaterial relative to the overall Company.

	Three Months Ended		Nine Months Ended	
	1999	1998	1999	1998
	October 31,	October 31,	October 31,	October 31,
	-----	-----	-----	-----
<b>OPERATING REVENUES</b>				
Retail operations .....	\$ 67,254	\$ 53,168	\$ 182,423	\$ 130,955
Wholesale operations .....	9,357	8,599	21,715	20,264
Intersegment elimination .....	(1,227)	(1,305)	(2,788)	(3,305)
	-----	-----	-----	-----
Total net sales .....	\$ 75,384	\$ 60,462	\$ 201,350	\$ 147,914
	=====	=====	=====	=====
<b>INCOME FROM OPERATIONS</b>				
Retail operations .....	\$ 10,808	\$ 7,778	\$ 28,266	\$ 16,534
Wholesale operations .....	1,158	721	2,019	1,406
	-----	-----	-----	-----
Total segment operating income .....	11,966	8,499	30,285	17,940
Corporate and other general expenses ..	(443)	(392)	(2,119)	(1,284)
	-----	-----	-----	-----
Total income from operations .....	\$ 11,523	\$ 8,107	\$ 28,166	\$ 16,656
	=====	=====	=====	=====

	October 31, 1999	January 31, 1999	October 31, 1998
	-----	-----	-----
<b>NET FIXED ASSETS</b>			
Retail operations.....	\$ 61,460	\$ 42,230	\$ 36,573
Wholesale operations.....	1,128	835	819
Corporate.....	1	1	1
	-----	-----	-----
Total net fixed assets.....	\$ 62,589	\$ 43,066	\$ 37,393
	=====	=====	=====
<b>INVENTORY</b>			
Retail operations.....	\$ 31,580	\$ 19,397	\$ 24,448
Wholesale operations.....	947	2,484	2,052
	-----	-----	-----
Total inventory.....	\$ 32,527	\$ 21,881	\$ 26,500
	=====	=====	=====

5. Investment in MXG Media, Inc.

At October 31, 1998, the Company's net investment in MXG Media, Inc. (MXG, formerly HMB Publishing, Inc.) was \$3.2 million. MXG publishes a "magalog" and operates a web site - www.mxgonline.com - that caters to teenage girls. Since October 31, 1998, the Company advanced \$8.8 million in bridge and other financing to fund MXG's expansion. Additionally, the Company recognized net

charges to earnings of \$853 thousand for the current quarter and \$4.4 million for the nine months ended October 31, 1999 to record required accounting reserves for the Company's portion of MXG's operating losses. The net charge of \$853 thousand for the current quarter included a gross charge of \$2.9 million related to required reserves for MXG's operating losses, offset by a \$2 million recovery of advances more fully explained below.

Pursuant to an agreement dated October 31, 1999, MXG received an additional equity investment of \$26 million from USA Networks Interactive, a USA company (USA Networks, Inc. - NASDAQ:USAI), reducing the Company's proportionate ownership. On November 1, 1999, the full amount of the bridge financing of \$7.6 million was repaid with interest. The \$7.6 million amount received was recorded in other current assets at October 31, 1999. The balance of the Company's investment has been fully reserved, and no further investments are planned at this time. Accordingly, no additional charges to earnings for MXG operating losses are expected to be recognized in future periods by the Company.

#### 6. Common Stock Purchase and Retirement

In a series of open market transactions during the quarter ended April 30, 1999, the Company purchased and retired 371,545 shares of its common stock at a cost of \$5.0 million. These purchases were made pursuant to a resolution adopted by the Board of Directors in 1995 that authorizes the Company to purchase, from time to time, up to 800,000 shares of the Company's common stock. As of October 31, 1999, up to 261,255 additional shares are authorized for purchase under this resolution.

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### PART I

#### FINANCIAL INFORMATION (CONTINUED)

#### ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

##### GENERAL

This Securities and Exchange Commission filing is being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Certain matters contained in this filing may constitute forward-looking statements. Anyone, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: industry competition factors, unavailability of suitable retail space for expansion, timing of store openings, difficulty in predicting and responding to fashion trend shifts, seasonal fluctuations in gross sales, the departure of one or more key senior managers and other risks identified in filings with the Securities and Exchange Commission.

Thus far this fiscal year, the Company opened four new Urban Retail stores and two new Anthropologie stores. Management plans to open approximately five new stores during the remainder of the fiscal year.

##### RESULTS OF OPERATIONS

The Company's operating years end on January 31 and include twelve periods ending on the last day of the calendar month. For example, fiscal year 2000 ("FY 2000") will end on January 31, 2000. This discussion of results of operations covers the third quarter and the first nine months of FY 2000 and FY 1999.

The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by certain income statement data. The following discussion should be read in conjunction with the table that follows:

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	1999 ----	1998 ----	1999 ----	1998 ----
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales, including certain buying, distribution and occupancy costs	62.0%	62.0%	62.1%	63.6%
	-----	-----	-----	-----
Gross profit	38.0%	38.0%	37.9%	36.4%
Selling, general and administrative expenses	22.7%	24.6%	23.9%	25.1%
	-----	-----	-----	-----
Income from operations	15.3%	13.4%	14.0%	11.3%
Other income (expense), net	(0.5%)	0.7%	(1.4%)	0.9%
	-----	-----	-----	-----
Income before income taxes	14.8%	14.1%	12.6%	12.2%
Income tax expense	6.7%	5.8%	6.1%	5.0%
	-----	-----	-----	-----
Net income	8.1%	8.3%	6.5%	7.2%
	=====	=====	=====	=====

THIRD QUARTER ENDED OCTOBER 31, 1999 COMPARED  
TO THE THIRD QUARTER ENDED OCTOBER 31, 1998

Net sales increased during the third quarter ended October 31, 1999 to \$75.4 million, up 25.0% from \$60.5 million for the same quarter last year. The \$14.9 million increase over the prior year's third quarter was the result of new and noncomparable stores' sales increases of \$8.3 million, an 8% comparable store sales increase that contributed \$3.8 million, Anthropologie direct response sales increases (catalog and web site) of \$2.0 million and a \$0.8 million increase from the Wholesale segment.

Gross profit as a percentage of sales for the third quarter ended October 31, 1999 was unchanged versus the same quarter last year. Higher initial markups in the retail segment combined with improved Wholesale results were offset by higher occupancy costs versus the same quarter last year.

Selling, general and administrative expenses for the quarter ended October 31, 1999 expressed as a percentage of sales decreased to 22.7% compared to 24.6% for the same quarter last year. The comparable store sales gains combined with increases in Anthropologie direct response and Wholesale sales gains, resulted in the leveraging of operating expenses.

Accordingly, operating income for the quarter increased by 42% in dollars and from 13.4 % of sales in FY 1999 to 15.3% this year.

At October 31, 1998, the Company's net investment in MXG Media, Inc. (MXG, formerly HMB Publishing, Inc.) was \$3.2 million. MXG publishes a "magalog" and operates a web site - www.mxgonline.com - that caters to teenage girls. Since October 31, 1998, the Company advanced \$8.8 million in bridge and other financing to fund MXG's expansion. Additionally, the Company recognized net charges to earnings of \$853 thousand for the current quarter and \$4.4 million for the nine months ended October 31, 1999 to record required accounting reserves for the Company's portion of MXG's operating losses. The net charge of \$853 thousand for the current quarter included a gross charge of \$2.9 million related to required reserves for MXG's operating losses, offset by a \$2 million recovery of advances more fully explained below.

Pursuant to an agreement dated October 31, 1999, MXG received an additional



equity investment of \$26 million from USA Networks Interactive, a USA company (USA Networks, Inc. - NASDAQ:USAI), reducing the Company's proportionate ownership. On November 1, 1999, the full amount of the bridge financing of \$7.6 million was repaid with interest. The \$7.6 million amount received was recorded in other current assets at October 31, 1999. The balance of the Company's investment has been fully reserved, and no further investments are planned at this time. Accordingly, no additional charges to earnings for MXG operating losses are expected to be recognized in future periods by the Company.

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NINE MONTHS ENDED OCTOBER 31, 1999  
COMPARED TO THE NINE MONTHS ENDED OCTOBER 31, 1998

Net sales increased during the nine months ended October 31, 1999 to \$201.4 million, up 36.2% from \$147.9 million for the same period last year. The \$53.5 million increase over the prior year's first nine months was the result of new and noncomparable stores' sales increases of \$28.2 million, a 14% comparable store sales increase that contributed \$16.4 million, Anthropologie direct sales increase of \$6.9 million, and a \$2.0 million increase in Wholesale segment sales.

Gross profit as a percentage of sales increased by 1.5% during the nine months ended October 31, 1999 compared to the same prior year period. The gross profit improvement was due to: (1) higher initial markups in the retail segment; (2) leveraging of store occupancy costs based on comparable store sales; and (3) distribution efficiencies.

Selling, general and administrative expenses during the nine months ended October 31, 1999 were \$48.2 million, up \$11.1 million or 30.0% from the same period in the prior year. These dollar increases were attributed principally to newly opened stores; the cost of moving catalog fulfillment in-house; and additions to corporate overhead structure to support an increased rate of store expansion. The comparable store sales gains resulted in leveraging of selling, general and administrative expenses which decreased from 25.1% of sales during the nine months ended October 31, 1998 to 23.9% of sales during the same period this year.

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Income from operations during the nine months ended October 31, 1999 was \$28.2 million, up 69.1% from the same period in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and marketable securities were \$29.5 million at October 31, 1999, as compared to \$50.4 million at January 31, 1999 and \$46.3 million at October 31, 1998. The Company's net working capital was \$39.0 million at October 31, 1999, as compared to \$47.5 million at January 31, 1999 and \$49.7 million at October 31, 1998. The decrease in cash, cash equivalents and marketable securities on October 31, 1999 from year end reflects the funding of FY 2000's increased level of capital expenditures (primarily for new store construction), the increase in inventory for new stores and the seasonal building of inventory in existing stores. Cash requirements for these activities, combined with \$5.0 million expended to repurchase 371,545 shares of the Company's common stock and additional investments in and bridge loans to MXG, more than offset cash generated from earnings.

Total inventories at October 31, 1999 increased by 22.7% versus the comparable quarter end last year, principally attributable to new store requirements.

Comparable store inventories at the end of the period were flat compared to the same date last year. Catalog inventories increased substantially due to the expanded circulation and demand, while Wholesale inventories decreased by 54.0%, reflecting a lower level of prior season inventory.

The Company expects that capital expenditures for the current year, including amounts expended for stores anticipated to open in FY 2001, will be approximately \$33.0 million. The Company believes that existing cash and investments at October 31, 1999, as well as cash from future operations, and the \$7.6 repayment on November 1, 1999 of the bridge loan by MXG, will be sufficient to meet the Company's cash needs through January 31, 2001.

Accrued expenses and other current liabilities increased to \$13.9 million as of October 31, 1999 from \$8.3 million at October 31, 1998. The increase in the components of accrued expenses and other current liabilities (which includes accrued incentive and other compensation, accrued benefits and accrued income taxes) is primarily attributable to additional stores, the strong comparable store sales performance and improved profitability.

The Company has a \$16.2 million revolving line of credit available to facilitate letter of credit transactions and cash advances. As of and during the nine months ended October 31, 1999, there were no outstanding borrowings. Outstanding letters of credit totaled \$7.1 million, \$4.1 million and \$3.9 million at October 31, 1999, January 31, 1999 and October 31, 1998, respectively. The fair value of these letters of credit is estimated to be the same as the contract values.

#### OTHER MATTERS

##### Outlook

While the Company has exceeded its planned rate of comparable store sales increases during the first three quarters of the fiscal year, management's plan for the fourth quarter continues to be moderate comparable store sales growth.

##### Year 2000

The Company does not generally sell products that must be brought into Year 2000 compliance. However, the Company does rely upon many vendors and suppliers for their products and services. The Company has conducted a comprehensive review of its computer systems to identify the systems that could be affected by the "Year 2000" issue. The Company has also reviewed and continues to monitor the implemented changes or planned changes of its major suppliers that management believes could be affected by the Year 2000 date. Based on the review, the Company's major information technology systems ("IT") that would be adversely affected by Year 2000 issues have been upgraded or replaced through the normal course of business. Internal resources are being used in a timely manner to evaluate, modify and test the Company's other systems that were not scheduled to be upgraded or replaced through the normal course of business. The upgrades of the Company's core merchandising and financial system, Wholesale accounting and control systems, catalog fulfillment system, warehousing management system and store register system have been completed, and testing of these upgrades continues. In addition, the Company is in the process of completing the inventory and assessment of its non-information technology systems ("non-IT"), including those with embedded processor chips -- heating, ventilation and air-conditioning systems, elevators, etc. The Company continues to evaluate key vendor preparedness by conducting interviews, obtaining updated compliance representation letters and, if deemed necessary, conducting additional comprehensive tests. While most vendors have completed their compliance work, ongoing Company efforts are required.

The Company's Year 2000 compliance evaluation program is substantially complete.

The incremental costs associated with these major system upgrades and/or replacements, as well as internal efforts to evaluate, modify and test the Company's other systems to ensure Year 2000 compliance, have not been of a material nature to the Company.

There can be no guarantee, however, that the Company's efforts will prevent Year 2000 issues from having a material adverse impact on its results of operations, financial condition and cash flows. The possible consequences to the Company if its business partners are not fully Year 2000 compliant (including banking systems, communications, other public utilities and the transportation industry) include temporary store closings and delays in the receipt of key merchandise categories. Accordingly, the Company continues to refine its contingency plans to mitigate the potential disruptions that may result from the Year 2000 issue. Such plans include earlier receipt of key merchandise categories, preparing alternative merchandise delivery

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methodologies, securing alternative suppliers, etc. These contingency plans to manage identified IT and non-IT areas of high risk will be reviewed and tested, as appropriate, over the remainder of the year.

#### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") which is required to be adopted in fiscal years beginning after June 15, 2000. The Company plans to adopt SFAS No. 133 effective February 1, 2001. The Company currently enters into short-term foreign currency forward exchange contracts to manage exposures related to its Canadian dollar denominated investments and anticipated cash flow. The amounts of the contracts and related gains and losses have not been material. The adoption of SFAS No. 133 is not expected to have a significant effect on the financial position or results of operations of the Company.

#### Market Risks

The Company is exposed to the following types of market risks - fluctuations in the purchase price of merchandise, as well as other goods and services; the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to the Company's inventory turn and its historical ability to pass through the impact of any generalized changes in its cost of goods to its customers through pricing adjustments, commodity and other product risks are not expected to be material. The Company purchases substantially all its merchandise in U.S. dollars, including a portion of the goods for its stores located in Canada and the United Kingdom. As explained in the section above on "Recent Accounting Pronouncements," the market risk is further limited by the Company's purchase of foreign currency forward exchange contracts.

Since the Company has not been a borrower, its exposure to interest rate fluctuations is limited to the impact on its marketable securities portfolio. This exposure is minimized by the limited investment maturities and "put" options available to the Company. The impact of a hypothetical two percent increase or decrease in prevailing interest rates would not materially affect the Company's consolidated financial position or results of operations.

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## Seasonality and Quarterly Results

While Urban Outfitters has been profitable in each of its last 39 operating quarters, its operating results are subject to seasonal fluctuations. The Company's highest sales levels have historically occurred during the five-month period from August 1 to December 31 of each year (the "Back-to-School" and Holiday periods). Sales generated during these periods have traditionally had a significant impact on the Company's results of operations. Any decreases in sales for these periods or in the availability of working capital needed in the months preceding these periods could have a material adverse effect on the Company's results of operations. The Company's results of operations in any one fiscal quarter are not necessarily indicative of the results of operations that can be expected for any other fiscal quarter or for the full fiscal year.

The Company's results of operations may also fluctuate from quarter to quarter as a result of the amount and timing of expenses incurred in connection with, and sales contributed by, new stores, store expansions and the integration of new stores into the operations of the Company or by the size and timing of mailings of the Company's Anthropologie catalog. Fluctuations in the bookings and shipments of Wholesale products between quarters can also have positive or negative effects on earnings during the quarters.

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## PART II

### OTHER INFORMATION

- ITEM 6 Exhibits and Reports on Form 8-K
- (a) Exhibits: None
  - (b) Reports on Form 8-K: None

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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.

URBAN OUTFITTERS, INC.  
(Registrant)

By: /s/ Richard A. Hayne

-----  
Richard A. Hayne  
Chairman of the Board of  
Directors

By: /s/ Stephen A. Feldman

-----  
Stephen A. Feldman  
Chief Financial Officer

Dated: November 24, 1999

<ARTICLE>

5

<MULTIPLIER>

1,000

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3-MOS

<FISCAL-YEAR-END>

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OCT-31-1999

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