URBAN OUTFITTERS, INC.

Fourth Quarter Fiscal 2012 ended January 31st, 2012
Management Commentary

Summary Highlights

The following are highlights from our Fourth Quarter Fiscal Year 2012 performance versus the comparable quarter last year:

- Net sales increased 9% to $731 million.
- Comparable Retail Segment net sales, which include our Direct-to-Consumer channel, increased 2%, including a 1% decrease in comparable store net sales and a 14% increase in comparable Direct-to-Consumer net sales.
- By major brand, comparable retail segment net sales at Anthropologie, Free People and Urban Outfitters, increased 1%, 9%, and 3%, respectively.
- Wholesale net sales increased 3% to $32 million.
- European net sales increased 33% due to the addition of 6 new Urban Outfitters stores and Retail Segment comparable net sales increases of 11% and 28% at Urban Outfitters Europe and Anthropologie Europe, respectively.
- Gross profit decreased 17% to $220 million, while gross profit margins decreased 955 basis points to 30.1%.
- Income from operations decreased 46% to $64.5 million, or an operating margin of 8.8%.
- Net income was $39 million or $0.27 per diluted share.

Revenue

Retail Stores – The Company opened 21 new stores during the quarter bringing the global store count to 429. New and non-comparable stores contributed $73 million in net sales during the quarter.

Within the quarter, total Company comparable store net sales were strongest in December, followed by November, then January. The comparable store net sales decline was driven by a 5.2% decrease in average unit selling prices partially offset by a 1.5% increase in average number of units per transaction and a 2.5% increase in total transactions.

Direct-to-Consumer – Direct-to-Consumer revenues increased 15% to $167 million, including a 14% increase in comparable net sales. The penetration of Direct-to-Consumer net sales to total company net sales increased 110 basis points to 23%. These results were largely driven by a 34% increase in website traffic to more than 47 million visitors.

Wholesale Segment – Wholesale segment revenues increased 3% to $32 million in the quarter, driven by a 10% increase at Free People, offset by the reduction in Leifsdottir sales as a result of the decision to exit the channel in May of this year. Free People net sales growth was driven by increased units to specialty and department stores.

Brand Highlights for the fourth quarter

Anthropologie – The brand opened 4 new stores during the quarter bringing the global store count to 168. Selling square footage increased 8% to 1,213,741. Comparable retail segment net sales, which include the Direct-to-Consumer channel, increased 1%. By region sales were strongest in the East and weakest in Canada. By venue, sales were strongest in free standing and street locations and weakest in mall locations. By merchandise category, accessories and home were the strongest.

Free People – The brand opened 7 new stores during the quarter bringing the total store count to 62. Selling square footage increased 45% to 84,922. Comparable retail segment net sales, which include the Direct-to-Consumer channel, increased 9%. By region sales were strongest in the West and weakest in the Northeast. By venue, sales were strongest in lifestyle centers and weakest in street locations. By merchandise category, intimates were the strongest.

Urban Outfitters – The brand opened 10 new stores in the quarter bringing the global store count to 197. Selling square footage increased 9% to 1,769,899. Comparable retail segment net sales, which include the Direct-to-Consumer channel, increased 3%. North America's regional, sales were strongest in the South and weakest in Canada. In Europe, sales were strongest in Ireland and Continental Europe and weakest in London. North America's venue sales were strongest in malls and weakest at colleges and universities. By merchandise category, home and women's accessories were the strongest.

Other Brands – Other brands include Terrain and BHLDN in the current year and Terrain and Leifsdottir in the prior year. Revenues for other brands increased 13%. Excluding Leifsdottir from the prior year, revenue increased 122%, driven by the addition of BHLDN.

Gross Margin

Gross profit in the quarter decreased 17% to $220 million. Gross profit margin percentage declined by 955 basis points to 30.1% versus the prior year's comparable period. This decline was primarily due to increased merchandise markdowns to clear slow-moving women's apparel inventory at both Anthropologie and Urban Outfitters.

SG & A

Total selling, general and administrative expenses for the quarter, expressed as a percentage of sales, decreased by 37 basis points to 21.3%. This improvement was due to a one-time, non-recurring $6 million net benefit primarily related to equity compensation expense reversals. This benefit was partially offset by deleveraging of direct store controllable expenses driven by the negative comparable store net sales.

Other Income Statement Items

The Company's effective tax rate for the year increased to 35.9% as compared to 34.6% in the prior year. The increase is primarily due to a one-time federal rehabilitation credit received in the prior year.

Balance Sheet and Cash flow Items

Cash, Cash Equivalents and Marketable Securities decreased from the prior year by $447 million to $362 million. This decrease primarily relates to $545 million spent on share repurchases during the current fiscal year.

Total inventories increased $21 million to $250 million, a 9% increase over the prior year period. The growth in total inventories is primarily due to the acquisition of inventory to stock new stores, our Direct-to-Consumer channel growth and the launch of our BHLDN brand. Total comparable retail segment inventories at cost (which includes our Direct-to-Consumer channel) increased by 2% while total comparable store inventory at cost decreased by 3%.

Total capital spending was $50 million for the quarter and depreciation and amortization was $27 million for the quarter.