

URBAN OUTFITTERS, INC.

Third Quarter Fiscal 2013 ended October 31st, 2012 Management Commentary

Summary Highlights

The following are highlights from our Third Quarter Fiscal Year 2013 performance versus the comparable quarter last year:

- Net sales increased 14% to \$693 million.
- Comparable Retail Segment net sales, which include our direct-to-consumer channel, increased 8%, including a 1% decrease in comparable store net sales and a 36% increase in direct-to-consumer net sales.
- By major brand, comparable retail segment net sales at Free People, Urban Outfitters and Anthropologie increased 24%, 7% and 6%, respectively.
- Wholesale net sales increased 7% to \$41 million.
- Gross profit increased 21% to \$261 million, while gross profit rate improved 222 basis points to 37.6%
- Income from operations increased 27% to \$94 million and operating profit margin improved 147 basis points to 13.5%.
- Net income was \$60 million or \$0.40 per diluted share.

Revenue

Retail Stores - The Company opened 11 new stores during the quarter bringing the global store count to 467.

Within the quarter, total Company comparable store net sales were strongest in September, followed by August, then October. The comparable store net sales decline was driven by a 1.8% decrease in average unit selling prices and a 3.5% decrease in average number of units per transaction, partially offset by a 4.2% increase in total transactions.

Direct-to-Consumer – Direct-to-consumer net sales increased 36% to \$168 million, and the penetration of total direct-to-consumer to total company net sales increased 405 basis points to 24%. These results were largely driven by a 32% increase in website traffic to more than 49 million visitors.

Wholesale Segment– Wholesale segment revenues increased 7% to \$41 million in the quarter, driven by a 9% increase at Free People partially offset by the reduction in Leifsdottir sales resulting from the transition of Leifsdottir to the Anthropologie brand.

Brand Highlights for the third quarter

Anthropologie – The brand opened 4 new stores during the quarter bringing the global store count to 177. Square footage increased 6% over the prior year period to 1,262,633. Comparable retail segment net sales, which include the direct-to-consumer channel, increased 6%. By region net sales were strongest in the Central and weakest in the Southeast. By venue net sales were strongest in free standing locations and weakest in lifestyle center locations. By merchandise category accessories were the strongest and home was the weakest.

Free People – The brand opened 5 new stores during the quarter bringing the total store count to 77. Square footage increased 39% over the prior year period to 105,470. Comparable retail segment net sales, which include the direct-to-consumer channel, increased 24%. By region sales were strongest in the Northeast and weakest in the West. By venue sales were strongest in traditional malls and weakest in lifestyle mall locations. By merchandise category accessories was the strongest.

Urban Outfitters– The brand opened 2 new stores in the quarter bringing the global store count to 209. Square footage increased 9% over the prior year period to 1,864,840. Comparable retail segment net sales, which include the direct-to-consumer channel, increased 7%. Domestically, by region, sales were strongest in the Northeast and weakest in California. In Europe, sales were strongest in Continental Europe and weakest in London. Domestically, by venue sales were strongest in traditional malls and weakest in college locations. By merchandise category men’s apparel and women’s apparel were the strongest and women’s accessories was the weakest.

Other Brands – Other brands include Terrain and BHLDN in the current year and Terrain, BHLDN and Leifsdottir in the prior year. Revenues for other brands increased by \$2 million, driven by new and non-comparable stores and the growth in the direct-to-consumer channels.

Gross Margin

Gross profit in the quarter increased 21% to \$261 million. Gross profit rate improved by 222 basis points versus the prior year’s comparable period. The improvement in gross profit rate was primarily due to a reduction in merchandise markdowns.

SG & A

Total selling, general and administrative expenses for the quarter, expressed as a percentage of sales, increased by 75 basis points to 24.1%. The increase was primarily due to higher incentive-based compensation in the current quarter.

Other Income Statement Items

The Company's effective tax rate was 36.4% in the current quarter and 32.8% in the prior year's comparable period. The rate in the prior year's quarter benefitted from favorable revisions to federal and state tax estimates resulting from our tax return filings. The company expects the annual effective tax rate to be approximately 36.0% for the full year.

Balance Sheet and Cash flow Items

Cash, Cash Equivalents and Marketable Securities increased from the prior year by \$197 million to \$456 million.

Total inventories increased \$28 million to \$395 million, an 8% increase over the prior year period. The growth in total inventories is primarily related to the acquisition of inventory to stock new and non-comparable stores and to support the significant growth in the direct-to-consumer channel. Comparable retail segment inventories were flat and comparable store inventories were -6% as of October 31, 2012.

Total capital spending was \$37 million for the quarter and depreciation and amortization was \$30 million for the quarter.