

Urban Outfitters, Inc.

FY'20 Q1 RESULTS





Introduction

Urban Outfitters Inc. “URBN” is providing first quarter commentary ahead of our earnings call scheduled for *May 21st at 5:15pm.*

We remind you that any forward-looking statements made in this commentary are subject to our safe harbor statement found in our SEC filings.

Our first quarter earnings release and related financial information are available on our website, www.urbn.com.



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Key Financial Highlights

	Three Months Ended	
	April 30, 2019	April 30, 2018
URBN Net Sales Change	1.0%	12.4%
Gross Profit*	31.1%	32.8%
Selling, General and Admin. Expenses*	26.5%	26.5%
Income from Operations*	4.6%	6.3%
Earnings Per Diluted Share	\$ 0.31	\$ 0.38

URBN sales for the first quarter grew by 1% to \$864 million. Sales growth was driven by a Retail segment comp of 1%, a Wholesale segment growth of 2% and non-comp sales of \$2 million. Foreign currency translation negatively impacted sales by ~70 basis points for the quarter.

Free People delivered the strongest Retail segment comp for the quarter, up 2%, followed by the Anthropologie Group which was up 1%, and Urban Outfitters which was flat for the quarter. Each of our brands was up against a very strong Retail segment comp from the prior year. Given that and challenging February weather, store traffic and sales to start the quarter, we are pleased to see each of our brands deliver positive to flat comps for the quarter.

Gross Profit dollars decreased by 4% to \$269 million for the quarter, while gross profit rate declined 167 basis points to 31.1%. The decline in gross profit rate and dollars were due to higher markdowns and deleverage in delivery and logistics expenses. The higher markdowns were largely driven by underperforming women's apparel at the Anthropologie and Urban Outfitters brands. The deleverage in delivery and logistics expenses is primarily due to the increase in penetration of the digital channel. The benefit or leverage in store occupancy due to the increased penetration of the digital channel was more than offset by negative store comps resulting in store occupancy deleverage on a Retail segment basis.

Selling General & Administrative ("SG&A") expenses grew by 1% while SG&A as a % of sales was flat at 26.5%. The growth in SG&A partially related to increased marketing expenses used to help drive the digital channel sales growth.

Operating Income for the quarter decreased by 26% to \$40 million with operating profit margin declining by 167 basis points to 4.6%.

Net Income for the quarter was \$33 million or \$0.31 per diluted share.

*expressed as a percent of net sales



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Total Sales	\$ 864.4	\$ 855.7	\$ 8.7	1%
Retail Segment	\$ 782.6	\$ 775.6	\$ 7.0	1%
URBN Comp	\$ 748.7	\$ 743.3	\$ 5.4	1%
Anthropologie Group	333.8	330.2	3.6	1%
Free People	103.6	101.5	2.1	2%
Urban Outfitters	306.8	307.1	(0.3)	flat
Food & Beverage	4.5	4.5	-	1%
Retail Segment Comp				
By Geography				
North America	678.0	669.2	8.8	1%
Europe	70.7	74.1	(3.4)	-5%
URBN Non-Comp	\$ 33.9	\$ 32.3	\$ 1.6	5%
Wholesale Segment	\$ 81.8	\$ 80.1	\$ 1.7	2%
Anthropologie Group	2.2	2.2	-	-3%
Free People	78.5	77.9	0.6	1%
Urban Outfitters	1.1	-	1.1	n/a

Total Company or URBN sales for the quarter increased 1% to \$864 million. The increase in sales was driven by a 1% URBN Retail segment comp increase, a 2% growth in URBN Wholesale segment sales and a \$2 million increase in non-comp sales. Foreign currency translation negatively impacted sales by ~70 basis points for the quarter.

URBN Retail segment comps increased by 1% driven by a double-digit increase in digital channel sales which was partially offset by mid-single digit negative store channel comps. Retail segment comps were the strongest in April, followed by March with February being our only negative comp month during the quarter. Please note that we do believe April benefited from the Easter shift into the month of April this year.

Our Retail segment comp was up 1% in North America while it was negative in Europe. Europe is challenging due to a difficult macro environment resulting in negative store traffic.

URBN Wholesale segment sales increased 2% driven by a 1% sales increase in Free People wholesale sales and \$1 million in Urban Outfitters BDG wholesale sales. Anthropologie Home saw a 3% decrease in wholesale sales during the period.

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Total Sales	\$ 355.0	\$ 347.1	\$ 7.9	2%
Retail Segment Comp	\$ 333.8	\$ 330.2	\$ 3.6	1%
Sales by Geography				
North America	321.4	317.6	3.8	1%
Europe	12.4	12.6	(0.2)	-2%
Wholesale Segment	\$ 2.2	\$ 2.2	\$ -	-3%
North America	1.9	1.8	0.1	2%
Europe and ROW	0.3	0.4	(0.1)	-28%
Retail Segment Non-Comp	\$ 19.0	\$ 14.7	\$ 4.3	30%

Total Anthropologie Group Brand sales increased by 2% to \$355 million driven by a Retail segment comp of 1% and a Retail segment non-comp sales increase of \$4 million, which more than offset the 3% decline in their Wholesale segment sales.

The Retail segment sales comp was driven by double-digit digital growth, while store comps were mid-single digit negative. By product category, Women's Accessories, Home and Beauty were all positive for the quarter, while Women's Apparel, BHLDN and Terrain were negative for the quarter.

By geography, Retail segment comp sales were positive in North America which more than offset negative comp sales in Europe.

Wholesale segment sales declined by 3% for the quarter due to a decline in Europe. Wholesale segment sales were up 2% in North America.



Revenue Metrics

free people

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Total Sales	\$ 186.2	\$ 181.3	\$ 4.9	3%
Retail Segment Comp	\$ 103.6	\$ 101.5	\$ 2.1	2%
Sales by Geography				
North America	103.6	101.5	2.1	2%
Europe	-	-	-	-
Wholesale Segment	\$ 78.5	\$ 77.9	\$ 0.6	1%
North America	74.9	73.7	1.2	2%
Europe and ROW	3.6	4.2	(0.6)	-13%
Retail Segment Non-Comp	\$ 4.1	\$ 1.9	\$ 2.2	112%

Total Free People brand sales increased by 3% to \$186 million driven by a Retail segment comp of 2%, a Wholesale segment growth of 1% and non-comp sales of \$2 million.

The Retail segment comp was driven by digital growth while stores were low single-digit negative. By product category, Apparel, Intimates, Movement and Beauty were all positive for the quarter while Women's Accessories declined.

Wholesale segment sales grew by 1% to \$79 million as a result of higher sales to full priced customers partially offset by lower sales to off-price and closeout channels. North America sales were positive while international sales were negative for the quarter.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Total Sales	\$ 316.8	\$ 322.7	\$ (5.9)	-2%
Retail Segment Comp	\$ 306.8	\$ 307.1	\$ (0.3)	flat
Sales by Geography				
North America	248.6	245.7	2.9	1%
Europe	58.2	61.4	(3.2)	-5%
Wholesale Segment	\$ 1.1	\$ -	\$ 1.1	n/a
North America	0.4	-	0.4	n/a
Europe and ROW	0.7	-	0.7	n/a
Retail Segment Non-Comp	\$ 8.9	\$ 15.6	\$ (6.7)	-43%

Total Urban Outfitters brand sales decreased by 2% as a result of negative non-comp sales of \$7 million, while the Retail segment comp was flat for the quarter and Wholesale segment sales of the UO BDG brand delivered \$1 million of sales growth. Negative non-comp sales for the quarter primarily related to adjustments for foreign currency translation with the remainder resulting from store closures.

Retail segment comp sales were flat for the quarter with double-digit sales growth in the digital channel being offset by high single-digit negative store sales. By product category, Home, Women's Accessories and Beauty were positive for the quarter while Women's Apparel and Men's Apparel were negative. Retail segment comp in North America was positive for the quarter but was offset by a negative Retail segment comp in Europe.

Wholesale segment sales of the Urban Outfitters BDG brand delivered \$1 million in sales for the quarter which came from customers in both North America and Europe.



Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Gross Profit* \$	\$ 269.1	\$ 280.7	\$ (11.6)	-4%
Gross Profit* %	31.1%	32.8%		
Retail Segment				
Gross Profit \$'s	\$ 245.1	\$ 257.9	\$(12.8)	-5%
Gross Profit %	31.3%	33.3%		
Wholesale Segment**				
Gross Profit \$'s	\$ 24.7	\$ 22.8	\$ 1.9	8%
Gross Profit %	30.1%	28.4%		
Subscription Segment				
Gross Profit \$'s	\$ (0.7)	\$ -	\$ (0.7)	n/a

*Cost of Sales includes initial mark-up, markdowns, store occupancy, delivery, freight and logistics expenses and merchant expenses

**net of intersegment elimination

Total company gross profit decreased 4% to \$269 million, while the gross profit rate declined by 167 basis points to 31.1%. The decline in the total company gross profit rate was driven by lower gross profit in the Retail segment while gross profit in the Wholesale segment improved in the quarter.

Retail segment gross profit decreased 5% to \$245 million while the Retail segment gross profit rate declined by 193 basis points to 31.3% for the quarter.

The decline in Retail segment gross profit rate was driven by higher markdowns and deleverage in delivery and logistics expenses. Higher markdowns were largely driven by a higher percentage of underperforming women's apparel at the Anthropologie and Urban Outfitters brands. The deleverage in delivery and logistics expenses was primarily due to the increase in penetration of the digital channel. The benefit or leverage in store occupancy due to the increased penetration of the digital channel was more than offset by negative store comps resulting in store occupancy deleverage on a Retail segment basis.

Wholesale segment gross profit increased by 8% to \$25 million while Wholesale segment gross profit rate increased 171 basis points to 30.1%. The improvement in Wholesale segment gross profit rate for the quarter was due to a higher penetration of sales to full price customers versus closeout customers.



SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
SG&A* \$'s	\$ 229.1	\$226.8	\$ 2.3	1%
SG&A* %	26.5%	26.5%		

Total company SG&A increased 1% to \$229 million. Total company SG&A as a percentage of sales was flat at 26.5%. The growth in SG&A expenses was partially due to increased marketing expenses which were used to support our digital channel sales growth. The reduction in SG&A versus our original plans is largely due to lower incentive-based compensation expense and lower variable store payroll dollars as a result of lower sales results.

*SG&A includes direct store controllable, creative and marketing, corporate overhead and credit and banking expenses



Operating Income by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2019	April 30, 2018	\$	%
Operating Profit \$	\$ 40.0	\$ 53.9	\$(13.9)	-26%
Operating Profit %	4.6%	6.3%		
Retail Segment				
Operating Profit \$'s	\$ 34.7	\$ 51.9	\$(17.2)	-33%
Operating Profit %	4.4%	6.7%		
Wholesale Segment*				
Operating Profit \$'s	\$ 16.7	\$ 14.8	\$ 1.9	13%
Operating Profit %	20.4%	18.5%		
Subscription Segment	\$ (2.1)	\$ -	\$ (2.1)	n/a
General Corporate Expenses \$'s	\$ 9.3	\$ 12.8	\$(3.5)	-28%

Operating income decreased by 26% to \$40 million, while operating profit margin deleveraged by 167 basis points to 4.6%. The decline in operating profit margin was largely driven by the Retail segment while the Wholesale segment operating profit increased for the quarter.

Retail segment operating profit declined by 33% to \$35 million, while Retail segment operating profit margin declined by 226 basis points to 4.4%. The decline in Retail segment operating profit rate was largely due to lower gross profit margin followed by SG&A expense deleverage.

Wholesale segment operating profit grew by 13% to \$17 million, while Wholesale segment operating profit margin improved by 188 basis points to 20.4%. The increase in Wholesale segment operating profit dollars and rate were largely due to improved gross profit margins, increased sales and SG&A leverage.

Subscription segment operating loss was \$2 million for the quarter, largely driven by SG&A expenses related to preparing for the launch of the new concept this summer.

General corporate expenses were reduced by 28% primarily due to lower incentive-based compensation expense due to the financial performance missing the Company's plans.

*net of intersegment elimination



Income Statement Summary

(\$ in millions)
(unaudited)

	Three Months Ended	
	April 30, 2019	April 30, 2018
Net Sales	\$ 864.4	\$ 855.7
Cost of Sales	<u>595.3</u>	<u>575.0</u>
Gross Profit	269.1	280.7
Selling, General and Admin. Expenses	<u>229.1</u>	<u>226.8</u>
Income from Operations	40.0	53.9
Other Income, Net	<u>2.7</u>	<u>0.1</u>
Income Before Income Taxes	42.7	54.0
Income Tax Expense	<u>10.1</u>	<u>12.7</u>
Net Income	<u>\$ 32.6</u>	<u>\$ 41.3</u>
Diluted Share Count	105.3	109.7
EPS (Diluted)	\$ 0.31	\$ 0.38

The effective tax rate for the first quarter was 23.7%. The rate was favorably impacted by approximately 140 basis points due to equity activity.

Net income for the quarter was \$33 million or \$0.31 per diluted share.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	April 30, 2019	April 30, 2018
Assets		
Cash and Cash Equivalents	\$ 291	\$ 314
Marketable Securities	229	166
Accounts Receivable, Net	88	89
Inventory	408	405
Other Current Assets	123	123
Total Current Assets	1,139	1,097
Property and Equipment, Net	829	820
Operating Lease ROU Assets	1,088	-
Marketable Securities	94	35
Other Assets	102	99
Total Assets	\$ 3,252	\$ 2,051
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 174	\$ 159
Current Operating Lease Liabilities	214	-
Other Current Liabilities	260	256
Total Current Liabilities	648	415
Non-Current Operating Lease Liabilities	1,092	-
Deferred Rent and Other Liabilities	64	290
Total Liabilities	1,804	705
Total Shareholders' Equity	1,448	1,346
Total Liabilities and Shareholders' Equity	\$ 3,252	\$ 2,051

Inventory increased 1% to \$408 million, largely driven by a 1% increase in Retail Segment comp inventory.

As of April 30, 2019, cash and marketable securities totaled \$614 million with zero drawn down on the asset backed line of credit facility.

We adopted an accounting standards update on February 1, 2019 related to lease accounting that resulted in the recognition of lease liabilities and right-of-use assets on the balance sheet. Right-of-use assets were reduced by the previously recognized deferred rent balances at adoption.



Inventory Data

(\$ in millions)
(unaudited)

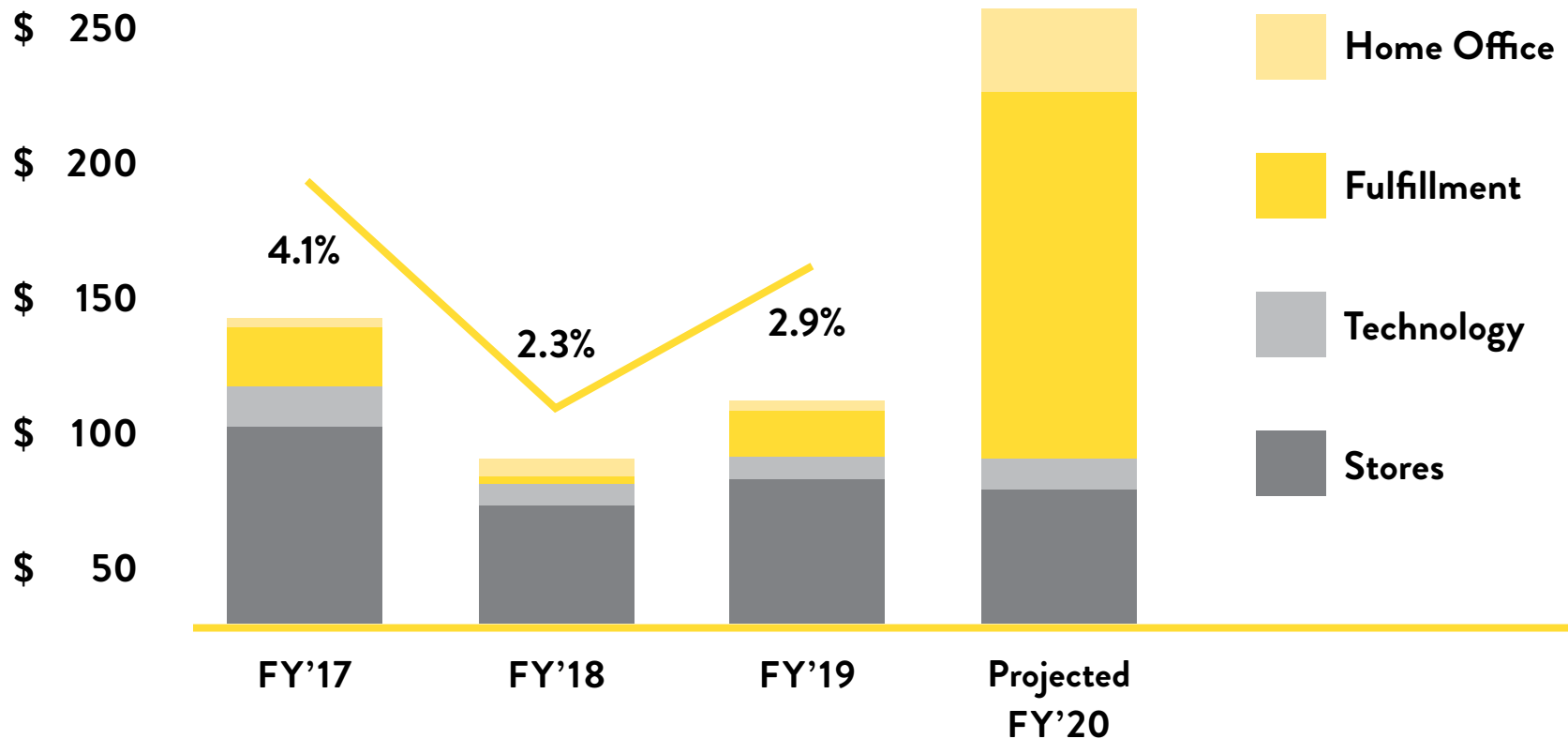
	April 30, 2019	April 30, 2018	Variance	
			\$	%
URBN Inventory	\$ 408.4	\$ 404.7	\$ 3.7	1%
Retail Segment Comparable Inventory at Cost	\$ 314.3	\$ 311.9	\$ 2.4	1%
Anthropologie Group	154.9	154.3	0.6	flat
Free People	39.1	34.3	4.8	14%
Urban Outfitters	120.3	123.3	(3.0)	-2%
Wholesale Segment by Brand	\$ 42.8	\$ 51.2	\$(8.4)	-16%
Anthropologie Group	1.5	0.3	1.2	454%
Free People	40.8	50.9	(10.1)	-20%
Urban Outfitters	0.5	-	0.5	n/a



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



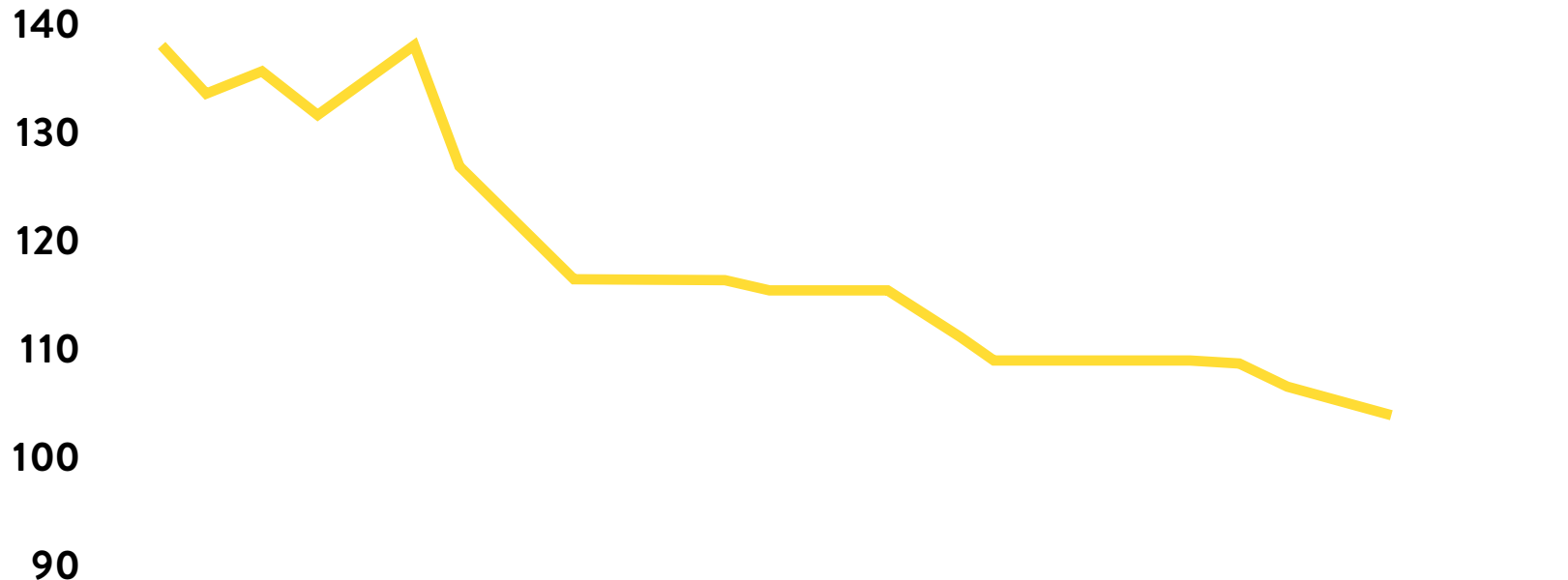
During the first quarter, capital expenditures were \$38 million while depreciation & amortization was \$28 million.



Shares Outstanding

(share count in millions)
(\$ in millions)
(unaudited)

Ending Shares Outstanding



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1				
	FY'15				FY'16				FY'17				FY'18				FY'19				FY'20
Shares Repurchased																					
Number of Shares	17.4				15.0				1.3				8.1				3.5				2.4
Total Cost	\$ 611				\$ 465				\$ 46				\$ 157				\$ 121				\$ 71

During the first quarter, the Company repurchased 2.4 million shares for \$71 million at an average share price of \$29.31. As of April 30, 2019, the Company has approximately 12 million common shares remaining under its existing repurchase authorization approved by the Board of Directors on August 22, 2017. Our weighted average diluted share count for the quarter was 105.3 million shares.



Global Retail Stores Summary

	Q1 FY'20				Projected Q2-Q4 FY'20		
	Open as of January 31, 2019	Openings	Closings	Open as of April 30, 2019	Projected Openings	Projected Closings	Projected Open as of January 31, 2020
Anthropologie Group NA	216	-	1	215	-	6	209
Anthropologie Group EU	11	2	-	13	4	-	17
Total Anthropologie Group	227	2	1	228	4	6	226
Free People NA	133	1	1	133	7	1	139
Free People EU	2	1	-	3	1	-	4
Total Free People	135	2	1	136	8	1	143
Urban Outfitters NA	195	-	-	195	3	5	193
Urban Outfitters EU	50	-	-	50	5	1	54
Total Urban Outfitters	245	-	-	245	8	6	247
Food & Beverage	13	-	1	12	-	1	11
Total Company-Owned Stores	620	4	3	621	20	14	627
Franchisee-Owned Stores	5	1	-	6	1	-	7
Total URBN	625	5	3	627	21	14	634



Global Store Count & Square Footage

(All data is as of the respective period ended)
(Selling SF in thousands)

		AN	FP	UO	F&B	URBN*	
FY'19	Q1	Store Count	226	134	246	10	616
		Selling SF	1,733	291	2,208	n/a	4,232
	Q2	Store Count	227	135	246	10	618
		Selling SF	1,750	298	2,208	n/a	4,256
	Q3	Store Count	228	134	248	13	623
		Selling SF	1,794	297	2,222	n/a	4,313
	Q4	Store Count	227	135	245	13	620
		Selling SF	1,789	300	2,196	n/a	4,285

		AN	FP	UO	F&B	URBN*	
FY'20	Q1	Store Count	228	136	245	12	621
		Selling SF	1,782	304	2,196	n/a	4,282

*excludes franchisee-owned stores