

Urban Outfitters, Inc.

FY'23 Q1 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2023 first quarter commentary ahead of our earnings call scheduled for May 24th 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.



Table of Contents

Key Financial Highlights.....	4
Sales by Segment.....	5
Sales by Brand.....	6–8
Gross Profit by Segment.....	9
Selling, General & Administrative Expenses.....	10
Operating Income by Segment.....	11
Income Statement.....	12
Balance Sheet.....	13
Cash Flows.....	14
Inventory Data.....	15
Capital Spending.....	16
Shares Outstanding.....	17
Global Store Summary.....	18
Global Store Count & Square Footage.....	19



Key Financial Highlights

	Three Months Ended	
	April 30, 2022	April 30, 2021
URBN Net Sales Change	13.4%	7.3%
Gross Profit*	30.7%	32.4%
Selling, General and Admin. Expenses*	26.3%	24.5%
Income from Operations*	4.4%	7.9%
Earnings Per Diluted Share	\$ 0.33	\$ 0.54

URBN sales for the first quarter increased by 13% to a record \$1.05 billion. The increase in sales was due to a 12% increase in Retail segment sales and a 6% increase in Wholesale segment sales. Retail segment sales comp increased 11%. The relative proportion of Retail segment sales attributable to store and digital channels changed significantly due in large part to the temporary store closures and occupancy restrictions in the United States, Europe and Canada in the prior year quarter due to the COVID-19 pandemic. Nuuly segment sales for the first quarter increased by \$15 million.

Gross profit dollars increased by 8% to \$323 million for the quarter, while gross profit rate decreased 169 bps to 30.7%. The decrease in gross profit rate was primarily due to lower initial merchandise markups driven largely by higher inbound transportation expenses and raw materials costs.

Selling general & administrative ('SG&A') expenses increased by 22% to \$277 million while SG&A as a % of sales deleveraged by 184 bps to 26.3%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to the increased penetration of retail store sales in the current year quarter as we incurred store payroll expenses to support the retail store sales growth.

Operating income dollars decreased by 37% to \$46 million while operating income rate decreased by 353 bps to 4.4%. The decrease in dollars was primarily due to the increase in SG&A expenses to support the increase in retail store sales. The decrease in rate was primarily due to the lower gross profit rate and deleverage in SG&A expenses in the quarter.

Net income for the quarter was \$32 million or \$0.33 per diluted share.

*expressed as a percent of net sales



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
Total Sales	\$ 1,051.9	\$ 927.4	\$ 124.5	13%
Retail Segment	\$ 963.4	\$ 857.5	\$ 105.9	12%
URBN Comp	\$ 926.2	\$ 835.1	\$ 91.1	11%
Anthropologie Group	409.4	345.5	63.9	18%
Free People Group	176.0	153.3	22.7	15%
Urban Outfitters	336.3	333.0	3.3	1%
Menus & Venues	4.5	3.3	1.2	36%
Retail Segment Comp				
By Geography				
North America	811.3	750.2	61.1	8%
Europe and ROW	114.9	84.9	30.0	35%
URBN Non-Comp	\$ 37.2	\$ 22.4	\$ 14.8	66%
Wholesale Segment	\$ 65.7	\$ 62.1	\$ 3.6	6%
Free People Group	61.4	56.5	4.9	9%
Urban Outfitters	4.3	5.6	(1.3)	-23%
Nuuly Segment	\$ 22.8	\$ 7.8	\$ 15.0	192%

Total Company or URBN sales for the first quarter increased by 13% to a record \$1.05 billion. URBN Retail segment sales increased 12% to \$963 million, with comparable sales increasing 11%. The relative proportion of Retail segment sales attributable to store and digital channels changed significantly due in large part to the temporary store closures and occupancy restrictions in the United States, Europe and Canada in the prior year quarter due to the COVID-19 pandemic. With those restrictions not present in the current year quarter, Retail segment comparable sales increased due to double-digit growth in retail store sales due to higher traffic and transactions as well as an increase in average unit retail, partially offset by a decrease in units per transaction and conversion rate. Higher retail store sales were partially offset by mid-single-digit negative digital channel sales due to decreases in sessions, units per transaction and conversion rate, which was only partially offset by an increase in average order value.

URBN Wholesale segment sales for the first quarter increased by 6% to \$66 million, driven by a 9%, or \$5 million, increase in Free People Group wholesale sales.

Nuuly segment sales for the first quarter increased by \$15 million driven by a significant increase in our subscriber base.



Revenue Metrics

ANTHROPOLOGIE

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
Total Sales	\$ 419.7	\$ 353.6	\$ 66.1	19%
Retail Segment	\$ 419.7	\$ 353.6	\$ 66.1	19%
Retail Segment Comp	\$ 409.4	\$ 345.5	\$ 63.9	18%
Sales by Geography				
North America	391.8	332.0	59.8	18%
Europe and ROW	17.6	13.5	4.1	30%
Retail Segment Non-Comp	\$ 10.3	\$ 8.1	\$ 2.2	27%

Total Anthropologie Group brand sales increased 19% to \$420 million for the quarter.

Retail segment sales increased 19%, with comparable sales increasing 18%. The increase in Retail segment comparable sales was driven by double-digit growth in retail store sales due to higher traffic, transactions and average unit retail, while digital channel sales were low single-digit negative due to a decrease in sessions, units per transaction and conversion rate. The relative proportion of Retail segment sales attributable to store and digital channels changed significantly due in large part to the temporary store closures and occupancy restrictions in the United States, Europe and Canada in the prior year quarter due to the COVID-19 pandemic. By product category, all product categories were positive, with women's apparel and women's accessories leading the way.



Revenue Metrics



(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
Total Sales	\$ 245.8	\$ 212.8	\$ 33.0	16%
Retail Segment	\$ 184.4	\$ 156.3	\$ 28.1	18%
Retail Segment Comp	\$ 176.0	\$ 153.3	\$ 22.7	15%
Sales by Geography				
North America	168.8	147.0	21.8	15%
Europe and ROW	7.2	6.3	0.9	14%
Retail Segment Non-Comp	\$ 8.4	\$ 3.0	\$ 5.4	184%
Wholesale Segment	\$ 61.4	\$ 56.5	\$ 4.9	9%
North America	59.2	53.0	6.2	12%
Europe and ROW	2.2	3.5	(1.3)	-39%

Total Free People Group sales increased by 16% to \$246 million for the quarter. This increase was due to an increase in Retail segment sales of 18% and a 9% increase in Wholesale segment sales.

The growth in Retail segment sales was driven by a 15% increase in comparable sales due to double-digit growth in retail store sales due to higher traffic, transactions and average unit retail and double-digit growth in the digital channel due to increases in sessions and average order value. The relative proportion of Retail segment sales attributable to store and digital channels changed significantly due in large part to the temporary store closures and occupancy restrictions in the United States, Europe and Canada in the prior year quarter due to the COVID-19 pandemic. By product category, all product categories were positive. The increase in non-comparable Retail segment net sales was primarily due to the opening of new stores since the prior comparable quarter.

Wholesale segment sales increased by 9% primarily due to an increase in sales to department stores and specialty customers.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
Total Sales	\$ 357.7	\$ 349.7	\$ 8.0	2%
Retail Segment	\$ 353.4	\$ 344.1	\$ 9.3	3%
Retail Segment Comp	\$ 336.3	\$ 333.0	\$ 3.3	1%
Sales by Geography				
North America	246.2	267.9	(21.7)	-8%
Europe and ROW	90.1	65.1	25.0	38%
Retail Segment Non-Comp	\$ 17.1	\$ 11.1	\$ 6.0	54%
Wholesale Segment	\$ 4.3	\$ 5.6	\$ (1.3)	-23%
North America	2.2	1.9	0.3	14%
Europe and ROW	2.1	3.7	(1.6)	-42%

Total Urban Outfitters brand sales increased by 2% to \$358 million for the quarter.

Retail segment sales increased 3%, with comparable sales increasing 1%. The increase in Retail segment comparable sales was driven by double-digit retail store sales growth due to increases in traffic, transactions and average unit retail, which more than offset double-digit negative digital channel sales due to decreases in sessions, units per transaction, conversion rate and average order value. The relative proportion of Retail segment sales attributable to store and digital channels changed significantly due in large part to the temporary store closures and occupancy restrictions in the United States, Europe and Canada in the prior year quarter due to the COVID-19 pandemic. By product category, all product categories were positive except home and women's accessories. The increase in non-comparable Retail segment net sales was primarily due to the opening of new stores since the prior comparable quarter.

Wholesale segment net sales decreased \$1 million.



Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
Gross Profit* \$'s	\$ 323.3	\$ 300.7	\$ 22.6	8%
Gross Profit* %	30.7%	32.4%		
Retail Segment				
Gross Profit \$'s	\$ 300.8	\$ 280.2	\$ 20.6	7%
Gross Profit %	31.2%	32.7%		
Wholesale Segment**				
Gross Profit \$'s	\$ 17.0	\$ 19.1	\$ (2.1)	-11%
Gross Profit %	25.9%	30.7%		
Nuuly Segment				
Gross Profit \$'s	\$ 5.5	\$ 1.4	\$ 4.1	291%

Gross profit dollars increased by 8% to \$323 million for the quarter, while gross profit rate decreased 169 bps to 30.7%. The decrease in gross profit rate was primarily due to lower initial merchandise markups driven largely by higher inbound transportation expenses and raw materials costs.

Retail segment gross profit increased 7% to \$301 million while the Retail segment gross profit rate decreased 145 bps to 31.2% for the quarter. The decrease in gross profit rate was primarily due to lower initial merchandise markups driven largely by higher inbound transportation expenses and raw materials costs.

Wholesale segment gross profit decreased 11% to \$17 million while the Wholesale segment gross profit rate decreased 478 bps to 25.9%. The lower gross profit rate was driven by a benefit in the prior year quarter due to a release of inventory obsolescence reserves due to the improved market conditions from the COVID-19 pandemic.

Nuuly segment gross profit was \$5 million for the quarter. We continue to leverage into our investments and work to achieve greater operating efficiency in the Nuuly Rent business.

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

**Net of intersegment elimination



SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2022	April 30, 2021	\$	%
SG&A* \$'s	\$ 277.1	\$ 227.2	\$ 49.9	22%
SG&A* %	26.3%	24.5%		

Selling general & administrative ('SG&A') expenses increased by 22% to \$277 million while SG&A as a % of sales deleveraged by 184 bps to 26.3%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to the increased penetration of retail store sales in the current year quarter as we incurred store payroll expenses to support the retail store sales growth.

*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, 2022	April 30, 2021	\$	%
Operating Income \$'s	\$ 46.2	\$ 73.5	\$ (27.3)	-37%
Operating Income %	4.4%	7.9%		
Retail Segment				
Operating Income \$'s	\$ 55.5	\$ 74.0	\$ (18.5)	-25%
Operating Income %	5.8%	8.6%		
Wholesale Segment*				
Operating Income \$'s	\$ 10.1	\$ 14.3	\$ (4.2)	-29%
Operating Income %	15.4%	23.0%		
Nuuly Segment				
Operating Loss \$'s	\$ (3.8)	\$ (3.3)	\$ (0.5)	-14%
General Corporate Expenses \$'s				
	\$ 15.6	\$ 11.5	\$ 4.1	36%

Operating income dollars decreased by 37% to \$46 million while operating income rate decreased by 353 bps to 4.4%. The decrease in dollars was primarily due to the increase in SG&A expenses to support the increase in retail store sales. The decrease in rate was primarily due to the lower gross profit rate and deleverage in SG&A expenses in the quarter.

Retail segment operating income decreased by 25%, or \$19 million, to \$56 million for the quarter. The decrease in dollars was primarily due to the increase in SG&A expenses to support the increase in retail store sales.

Wholesale segment operating income decreased by 29%, or \$4 million, to \$10 million for the quarter. The decrease in operating profit was primarily due to the benefit in the prior year quarter due to the release of inventory obsolescence reserves.

Nuuly segment operating loss was \$4 million for the quarter.

General corporate expenses increased by \$4 million primarily due to increased share-based compensation expense and various legal costs.

*Net of intersegment elimination



Income Statement Summary

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

Three Months Ended

	April 30, 2022	% of Net Sales	April 30, 2021	% of Net Sales
Net Sales	\$ 1,051.9	100.0%	\$ 927.4	100.0%
Cost of Sales	<u>728.6</u>	<u>69.3</u>	<u>626.7</u>	<u>67.6</u>
Gross Profit	323.3	30.7	300.7	32.4
Selling, General and Admin. Expenses	<u>277.1</u>	<u>26.3</u>	<u>227.2</u>	<u>24.5</u>
Income from Operations	46.2	4.4	73.5	7.9
Other Loss, Net	<u>(2.0)</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.0)</u>
Income Before Income Taxes	44.2	4.2	73.3	7.9
Income Tax Expense	<u>12.7</u>	<u>1.2</u>	<u>19.8</u>	<u>2.1</u>
Net Income	<u>\$ 31.5</u>	<u>3.0%</u>	<u>\$ 53.5</u>	<u>5.8%</u>
Diluted Share Count	96.3		99.3	
Earnings per Diluted Share	\$ 0.33		\$ 0.54	

The effective tax rate for the first quarter was 29% compared to an effective tax rate of 27% in the first quarter of fiscal 2022. The change in the effective tax rate was primarily driven by the ratio of foreign taxable earnings to global taxable earnings.

Net income for the quarter was \$32 million or \$0.33 per diluted share.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	April 30, 2022	April 30, 2021
Assets		
Cash and Cash Equivalents	\$ 72	\$ 364
Marketable Securities	188	164
Accounts Receivable, Net	97	85
Inventory	630	478
Other Current Assets	221	190
Total Current Assets	1,208	1,281
Property and Equipment, Net	1,150	989
Operating Lease ROU Assets	968	1,093
Marketable Securities	179	101
Other Assets	137	116
Total Assets	\$ 3,642	\$ 3,580
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 297	\$ 252
Current Operating Lease Liabilities	228	246
Other Current Liabilities	395	394
Total Current Liabilities	920	892
Non-Current Operating Lease Liabilities	913	1,060
Deferred Rent and Other Liabilities	113	93
Total Liabilities	1,946	2,045
Total Shareholders' Equity	1,696	1,535
Total Liabilities and Shareholders' Equity	\$ 3,642	\$ 3,580

As of April 30, 2022, cash and marketable securities totaled \$439 million with \$0 drawn down on our \$350 million asset backed line of credit facility.



Cash Flows Summary

(\$ in millions)
(unaudited)

	Three Months Ended	
	April 30, 2022	April 30, 2021
Cash Flows from Operating Activities		
Net Income	\$ 32	\$ 54
Adjustments to Reconcile Net Income to		
Net Cash (Used in) Provided by Operating Activities:		
Depreciation & Amortization	27	26
Inventory	(65)	(87)
Payables, Accrued Expenses and Other Liabilities	(15)	43
Other Operating Activities	(59)	1
Net Cash (Used in) Provided by Operating Activities	<u>(80)</u>	<u>37</u>
Cash Flows from Investing Activities		
Cash Paid for Property & Equipment	(74)	(43)
Net Marketable Securities	<u>88</u>	<u>(21)</u>
Net Cash Provided by (Used in) Investing Activities	<u>14</u>	<u>(64)</u>
Cash Flows from Financing Activities		
Share Repurchases related to Share Repurchase Program	(62)	-
Other Financing Activities	<u>(7)</u>	<u>(6)</u>
Net Cash Used in Financing Activities	<u>(69)</u>	<u>(6)</u>
Effect of Exchange Rate	<u>(0)</u>	<u>1</u>
Decrease in Cash and Cash Equivalents	(135)	(32)
Cash and Cash Equivalents at Beginning of Period	<u>207</u>	<u>396</u>
Cash and Cash Equivalents at End of Period	<u>\$ 72</u>	<u>\$ 364</u>



Inventory Data

(\$ in millions)
(unaudited)

	April 30, 2022	April 30, 2021	Cost Variance	
			\$	%
URBN Total Inventory	\$ 630.0	\$ 477.8	\$ 152.2	32%
Retail Segment Total Inventory	\$ 569.9	\$ 425.9	\$ 144.0	34%
Retail Segment Comparable Inventory by Brand	433.4	320.4	113.0	35%
Anthropologie Group	207.1	156.7	50.4	32%
Free People Group	71.3	51.0	20.3	40%
Urban Outfitters	155.0	112.7	42.3	38%
Wholesale Segment by Brand	\$ 60.1	\$ 51.9	\$ 8.2	16%
Free People Group	53.3	39.0	14.3	37%
Urban Outfitters	6.8	12.9	(6.1)	-48%
Nuuly Segment Rental Product, Net*	\$ 42.6	\$ 10.2	\$ 32.4	316%

As of April 30, 2022, inventory increased 32% to \$630 million and Retail segment comparable inventory at cost increased by 35%, which were driven by three factors. First, inventory costs have increased due to higher product costs driven largely by higher inbound transportation expenses and raw materials costs. Second, due to ongoing global supply chain constraints, we are extending our lead times and holding more inventory. Finally, the Urban Outfitters brand's sales came in lower than planned resulting in increased inventory levels at this point in time.

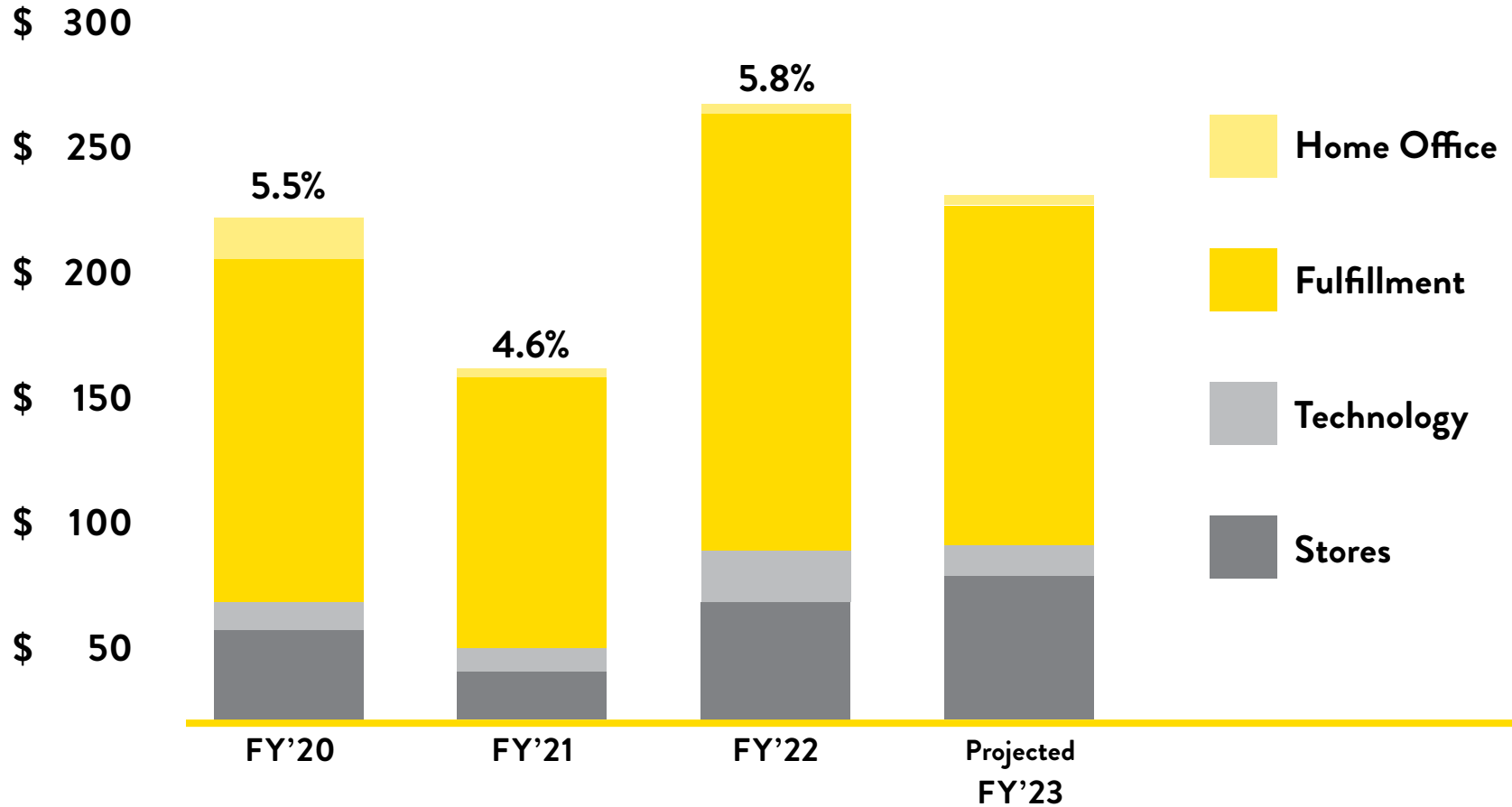
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



During the first quarter, capital expenditures were \$74 million while depreciation & amortization was \$27 million.



Shares Outstanding

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



	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Shares Repurchased						
Number of Shares	8.1	3.5	8.1	0.5	2.0	2.4
Total Cost	\$ 157	\$ 121	\$ 217	\$ 7	\$ 56	\$ 62

During the first quarter, the Company repurchased 2.4 million shares for \$62 million at an average share price of \$25.62. The Company has authorization to repurchase approximately 21 million additional shares remaining granted by the Board of Directors resolutions on August 22, 2017 and June 4, 2019. Our weighted average diluted share count for the quarter was 96.3 million shares.



Global Retail Stores Summary

	Q1 FY'23				Q2-Q4 FY'23		
	Open as of January 31, 2022	Openings	Closings	Open as of April 30, 2022	Projected Openings	Projected Closings	Projected Open as of January 31, 2023
Anthropologie Group NA	217	-	1	216	6	7	215
Anthropologie Group EU	21	-	-	21	1	-	22
Total Anthropologie Group	238	-	1	237	7	7	237
Free People NA	147	-	1	146	4	-	150
FP Movement NA	20	1	-	21	11	-	32
Free People EU	6	1	-	7	5	-	12
Total Free People Group	173	2	1	174	20	-	194
Urban Outfitters NA	202	2	1	203	3	4	202
Urban Outfitters EU	59	-	-	59	3	2	60
Total Urban Outfitters	261	2	1	262	6	6	262
Menus & Venues	10	1	-	11	-	-	11
Total Company-Owned Stores	682	5	3	684	33	13	704
Franchisee-Owned Stores	3	3	-	6	2	-	8
Total URBN	685	8	3	690	35	13	712



Global Store Count & Square Footage

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

		AN	FP	UO	M&V	URBN**	
FY'22	Q1	Store Count	238	153	251	11	653
		Selling SF	1,816	338	2,224	n/a	4,378
	Q2	Store Count	239	162	255	10	666
		Selling SF	1,820	352	2,238	n/a	4,410
	Q3	Store Count	242	170	260	9	681
		Selling SF	1,838	362	2,270	n/a	4,470
	Q4	Store Count	238	173	261	10	682
		Selling SF	1,813	367	2,264	n/a	4,444

		AN	FP*	UO	M&V	URBN**	
FY'23	Q1	Store Count	237	174	262	11	684
		Selling SF	1,810	368	2,270	n/a	4,448

*includes 21 FP Movement stores as of Q1 FY'23, with a total Selling SF of 27

**excludes franchisee-owned stores