

Urban Outfitters, Inc.

FY'23 Q4 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2023 fourth quarter commentary ahead of our earnings call scheduled for February 28th 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 fourth 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	
	January 31, 2023	January 31, 2022
URBN Net Sales Change	3.9%	13.9%
Gross Profit*	26.9% ⁽¹⁾	27.6%
Selling, General and Admin. Expenses*	24.2%	23.6%
Income from Operations*	2.7%	4.0%
Earnings Per Diluted Share	\$ 0.34	\$ 0.41

URBN sales for the fourth quarter increased by 4% to a record \$1.38 billion. The increase in sales was due to 2% increase in Retail segment sales and a \$25 million increase in Nuuly segment sales, partially offset by a 7% decrease in Wholesale segment sales. The 2% increase in Retail segment sales was driven by a 3% increase in Retail segment comp sales, partially offset by a 1% negative impact of foreign currency translation.

Gross profit dollars increased by 1% to \$372 million for the quarter, while gross profit rate decreased 68 bps to 26.9%. The decrease in gross profit rate was primarily due to store impairment charges of \$5 million, or 39 bps, in the current year quarter. Retail segment merchandise margins were slightly lower as improved initial merchandise markups were offset by higher markdowns at the Urban Outfitters and Free People Group brands as compared to the comparable prior year quarter. A decline in Wholesale segment gross profit rate also contributed to the total company overall gross profit decline as a result of increased sales discounts to clear out excess merchandise. Finally, the Nuuly segment gross profit rate improved due to operating leverage from the significant growth in subscribers.

Selling general & administrative ('SG&A') expenses increased by 7% to \$335 million while SG&A as a % of sales deleveraged by 63 bps to 24.2%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to marketing expenses to support increased sales and customer growth and severance expenses.

Operating income dollars decreased by 30% to \$37 million while operating income rate decreased by 131 bps to 2.7%. The decrease in dollars and rate was primarily due to the lower gross profit rate and deleverage in SG&A.

Net income for the quarter was \$31 million or \$0.34 per diluted share.

*expressed as a percent of net sales

⁽¹⁾ Includes store impairment charges of \$5 million, or 39 bps, related to 15 retail locations



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
Total Sales	\$ 1,384.6	\$ 1,332.2	\$ 52.4	4%
Retail Segment	\$ 1,289.2	\$ 1,258.2	\$ 31.0	2%
URBN Comp	\$ 1,251.1	\$ 1,214.8	\$ 36.3	3%
Anthropologie Group	588.4	542.2	46.2	9%
Free People Group	250.5	216.9	33.6	15%
Urban Outfitters	405.4	450.1	(44.7)	(10%)
Menus & Venues	6.8	5.6	1.2	21%
Retail Segment Comp				
By Geography				
North America	1,098.2	1,069.7	28.5	3%
Europe and ROW	152.9	145.1	7.8	5%
URBN Non-Comp	\$ 38.1	\$ 43.4	\$ (5.3)	(12%)
Wholesale Segment	\$ 52.6	\$ 56.7	\$ (4.1)	(7%)
Free People Group	47.2	54.4	(7.2)	(13%)
Urban Outfitters	5.4	2.3	3.1	135%
Nuuly Segment	\$ 42.8	\$ 17.3	\$ 25.5	147%

Total Company or URBN sales for the fourth quarter increased by 4% to a record \$1.38 billion. URBN Retail segment sales increased 2% to \$1.29 billion, with comparable sales increasing 3%, partially offset by a 1% negative impact of foreign currency translation. Retail segment comparable sales increased due to mid single-digit growth in retail store sales due to higher traffic, transactions and average unit retail, as well as low single-digit positive growth in digital channel sales primarily driven by increases in average order value.

URBN Wholesale segment sales for the fourth quarter decreased by 7% to \$53 million, driven by a 13%, or \$7 million, decrease in Free People Group wholesale sales, partially offset by an increase of \$3 million in Urban Outfitters wholesale sales. The Free People Group wholesale sales decrease was due to a decrease in sales to department stores, partially offset by growth in specialty and close out account partners.

Nuuly segment sales for the fourth quarter increased by \$25 million driven by a 149% increase in subscribers as of the current quarter end versus the end of the prior year's comparable quarter.



Revenue Metrics

ANTHROPOLOGIE

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
Total Sales	\$ 602.9	\$ 558.7	\$ 44.2	8%
Retail Segment	\$ 602.9	\$ 558.7	\$ 44.2	8%
Retail Segment Comp	\$ 588.4	\$ 542.2	\$ 46.2	9%
Sales by Geography				
North America	563.3	515.5	47.8	9%
Europe and ROW	25.1	26.7	(1.6)	(6%)
Retail Segment Non-Comp	\$ 14.5	\$ 16.5	\$ (2.0)	(12%)

Total Anthropologie Group brand sales increased 8% to \$603 million for the quarter.

Retail segment sales increased 8%, with comparable sales increasing 9%. The increase in Retail segment comparable sales was driven by high single-digit growth in digital channel sales due to increases in sessions and average order value, as well as high single-digit growth in retail store sales due to higher traffic and average unit retail. By product category, apparel, accessories and home were positive for the quarter. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.



Revenue Metrics



(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
Total Sales	\$ 306.2	\$ 276.2	\$ 30.0	11%
Retail Segment	\$ 259.0	\$ 221.8	\$ 37.2	17%
Retail Segment Comp	\$ 250.5	\$ 216.9	\$ 33.6	15%
Sales by Geography				
North America	241.8	209.8	32.0	15%
Europe and ROW	8.7	7.1	1.6	21%
Retail Segment Non-Comp	\$ 8.5	\$ 4.9	\$ 3.6	71%
Wholesale Segment	\$ 47.2	\$ 54.4	\$ (7.2)	(13%)
North America	46.0	52.7	(6.7)	(13%)
Europe and ROW	1.2	1.7	(0.5)	(33%)

Total Free People Group sales increased by 11% to \$306 million for the quarter. This increase was due to an increase in Retail segment sales of 17%, partially offset by a 13% decrease 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 the digital channel due to increases in sessions, as well as high single-digit growth in retail store sales due to higher traffic, transactions and average unit retail. 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 decreased by 13% due to a decrease in sales to department stores, partially offset by growth in specialty and close out account partners.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
Total Sales	\$ 425.6	\$ 474.4	\$(48.8)	(10%)
Retail Segment	\$ 420.2	\$ 472.1	\$(51.9)	(11%)
Retail Segment Comp	\$ 405.4	\$ 450.1	\$(44.7)	(10%)
Sales by Geography				
North America	286.3	338.8	(52.5)	(16%)
Europe and ROW	119.1	111.3	7.8	7%
Retail Segment Non-Comp	\$ 14.8	\$ 22.0	\$ (7.2)	(33%)
Wholesale Segment	\$ 5.4	\$ 2.3	\$ 3.1	135%
North America	3.6	1.3	2.3	182%
Europe and ROW	1.9	1.0	0.9	77%

Total Urban Outfitters brand sales decreased by 10% to \$426 million for the quarter.

Retail segment sales decreased 11%, with comparable sales decreasing 10%. Retail segment sales declined in North America but increased in Europe. The decrease in Retail segment comparable sales was driven by a double-digit decline in digital channel sales due to decreases in sessions, as well as a low single-digit decline in retail store sales due to decreases in average unit retail and units per transaction. All product categories were negative except intimates, beauty and men's accessories. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.

Wholesale segment net sales increased by \$3 million.



Gross Profit by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
Gross Profit* \$'s	\$ 372.3⁽¹⁾	\$ 367.3	\$ 5.0	1%
Gross Profit* %	26.9%	27.6%		
Retail Segment				
Gross Profit \$'s	\$ 361.7 ⁽¹⁾	\$ 358.5	\$ 3.2	1%
Gross Profit %	28.1%	28.5%		
Wholesale Segment**				
Gross Profit \$'s	\$ 3.0	\$ 7.4	\$ (4.4)	(59%)
Gross Profit %	5.8%	13.0%		
Nuuly Segment				
Gross Profit \$'s	\$ 7.6	\$ 1.4	\$ 6.2	463%
Gross Profit %	17.8%	7.8%		

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

**Net of intersegment elimination

⁽¹⁾ Includes store impairment charges of \$5 million (impact of 39 bps on total Company gross profit and 42 bps on Retail segment gross profit) related to 15 retail locations

Gross profit dollars increased by 1% to \$372 million for the quarter, while gross profit rate decreased 68 bps to 26.9%. The decrease in gross profit rate was primarily due to store impairment charges of \$5 million, or 39 bps, in the current year quarter. Retail segment merchandise margins were slightly lower as improved initial merchandise markups were offset by higher markdowns at the Urban Outfitters and Free People Group brands as compared to the comparable prior year quarter. A decline in Wholesale segment gross profit rate also contributed to the total company overall gross profit decline as a result of increased sales discounts to clear out excess merchandise. Finally, the Nuuly segment gross profit rate improved due to operating leverage from the significant growth in subscribers.

Retail segment gross profit increased 1% to \$362 million while the Retail segment gross profit rate decreased 44 bps to 28.1% for the quarter. The decrease in gross profit rate was primarily due to store impairment charges of \$5 million, or 42 bps, in the current year quarter. Retail segment merchandise margins were slightly lower as improved initial merchandise markups were offset by higher markdowns at the Urban Outfitters and Free People Group brands as compared to the comparable prior year quarter.

Wholesale segment gross profit decreased 59% to \$3 million while the Wholesale segment gross profit rate decreased 727 bps to 5.8%. The lower gross profit dollars and rate were driven by increased sales discounts to clear out excess merchandise.

Nuuly segment gross profit was \$8 million for the quarter, compared to \$1 million in the prior year quarter. The increase in gross profit dollars was primarily due to the significant increase in subscription revenue as well as improved operating leverage.



SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	January 31, 2023	January 31, 2022	\$	%
SG&A* \$'s	\$ 335.0	\$ 314.0	\$ 21.0	7%
SG&A* %	24.2%	23.6%		

Selling general & administrative ('SG&A') expenses increased by 7% to \$335 million while SG&A as a % of sales deleveraged by 63 bps to 24.2%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to marketing expenses to support increased sales and customer growth and severance expenses.

*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	
	January 31, 2023	January 31, 2022	\$	%
Operating Income \$'s	\$ 37.3	\$ 53.3	\$ (16.0)	(30%)
Operating Income %	2.7%	4.0%		
Retail Segment				
Operating Income \$'s	\$ 59.1	\$ 72.0	\$ (12.9)	(18%)
Operating Income %	4.6%	5.7%		
Wholesale Segment*				
Operating Income \$'s	\$ (4.0)	\$ 0.0	\$ (4.0)	n-m**
Operating Income %	(7.6%)	0.0%		
Nuuly Segment				
Operating Loss \$'s	\$ (4.6)	\$ (8.4)	\$ 3.8	45%
Operating Loss %	(10.7%)	(48.3%)		
General Corporate Expenses \$'s				
	\$ 13.2	\$ 10.3	\$ 2.9	29%

Operating income dollars decreased by 30% to \$37 million while operating income rate decreased by 131 bps to 2.7%. The decrease in dollars and rate was primarily due to the lower gross profit rate and deleverage in SG&A.

Retail segment operating income decreased by 18%, or \$13 million, to \$59 million for the quarter. The decrease in dollars and rate was primarily due to the lower gross profit rate and deleverage in SG&A.

Wholesale segment operating loss was \$4 million for the quarter compared to slight gain in the prior year quarter. The decrease in operating income was primarily due to the lower gross profit rate.

Nuuly segment operating loss was \$5 million for the quarter compared to a \$8 million loss in the prior year quarter. The increase in operating income was primarily due to the improved gross profit rate and leverage in SG&A.

*Net of intersegment elimination

**Not meaningful



Income Statement Summary

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

	Three Months Ended			
	January 31, 2023	% of Net Sales	January 31, 2022	% of Net Sales
Net Sales	\$ 1,384.6	100.0%	\$ 1,332.2	100.0%
Cost of Sales (excluding Store Impairment)	1,006.8	72.7	964.9	72.4
Store Impairment	5.5	0.4	—	—
Gross Profit	372.3	26.9	367.3	27.6
Selling, General and Admin. Expenses	335.0	24.2	314.0	23.6
Income from Operations	37.3	2.7	53.3	4.0
Other Income (Loss), Net	3.9	0.3	(1.4)	(0.1)
Income Before Income Taxes	41.2	3.0	51.9	3.9
Income Tax Expense	9.7	0.7	10.9	0.8
Net Income	\$ 31.5	2.3%	\$ 41.0	3.1%
Diluted Share Count	93.6		98.7	
Earnings per Diluted Share	\$ 0.34		\$ 0.41	

The effective tax rate for the fourth quarter was 24% compared to an effective tax rate of 21% in the fourth quarter of fiscal 2022. The change in the effective tax rate was attributable to the ratio of foreign taxable earnings to global taxable earnings, tax rate law changes and the prior year favorable impact of equity activity.

Net income for the quarter was \$31 million or \$0.34 per diluted share.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	January 31, 2023	January 31, 2022
Assets		
Cash and Cash Equivalents	\$ 201	\$ 207
Marketable Securities	181	239
Accounts Receivable, Net	70	64
Inventory	588	570
Other Current Assets	198	206
Total Current Assets	1,238	1,286
Property and Equipment, Net	1,188	1,145
Operating Lease ROU Assets	959	1,000
Marketable Securities	103	224
Other Assets	195	136
Total Assets	\$ 3,683	\$ 3,791
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 258	\$ 304
Current Operating Lease Liabilities	233	236
Other Current Liabilities	399	441
Total Current Liabilities	890	981
Non-Current Operating Lease Liabilities	885	951
Deferred Rent and Other Liabilities	115	113
Total Liabilities	1,890	2,045
Total Shareholders' Equity	1,793	1,746
Total Liabilities and Shareholders' Equity	\$ 3,683	\$ 3,791

As of January 31, 2023, cash and marketable securities totaled \$485 million with \$0 drawn down on our \$350 million asset backed line of credit facility.



Cash Flows Summary

(\$ in millions)
(unaudited)

	Twelve Months Ended	
	January 31, 2023	January 31, 2022
Cash Flows from Operating Activities		
Net Income	\$ 160	\$ 311
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization	102	106
Inventory	(22)	(182)
Payables, Accrued Expenses and Other Liabilities	(50)	125
Other Operating Activities	(47)	(1)
Net Cash Provided by Operating Activities	<u>143</u>	<u>359</u>
Cash Flows from Investing Activities		
Cash Paid for Property & Equipment	(200)	(262)
Net Marketable Securities	<u>168</u>	<u>(226)</u>
Net Cash Used in Investing Activities	<u>(32)</u>	<u>(488)</u>
Cash Flows from Financing Activities		
Share Repurchases related to Share Repurchase Program	(112)	(56)
Other Financing Activities	<u>(7)</u>	<u>(4)</u>
Net Cash Used in Financing Activities	<u>(119)</u>	<u>(60)</u>
Effect of Exchange Rate	<u>2</u>	<u>0</u>
Decrease in Cash and Cash Equivalents	(6)	(189)
Cash and Cash Equivalents at Beginning of Period	<u>207</u>	<u>396</u>
Cash and Cash Equivalents at End of Period	<u>\$ 201</u>	<u>\$ 207</u>



Inventory Data

(\$ in millions)
(unaudited)

	January 31, 2023	January 31, 2022	Cost Variance	
			\$	%
URBN Total Inventory	\$ 587.5	\$ 569.7	\$ 17.8	3%
Retail Segment Total Inventory	\$ 529.9	\$ 507.5	\$ 22.4	4%
Retail Segment Comparable Inventory by Brand	406.3	361.6	44.7	12%
Anthropologie Group	213.1	171.7	41.4	24%
Free People Group	74.3	65.2	9.1	14%
Urban Outfitters	118.9	124.7	(5.8)	(5%)
Wholesale Segment by Brand	\$ 57.6	\$ 62.2	\$ (4.6)	(7%)
Free People Group	49.4	57.7	(8.3)	(14%)
Urban Outfitters	8.2	4.5	3.7	84%
Nuuly Segment Rental Product, Net*	\$ 90.9	\$ 32.1	\$ 58.8	184%

As of January 31, 2023, inventory increased 3% to \$588 million as compared to the prior year. Retail segment inventory increased by 4%, while Wholesale segment inventory decreased by 7%.

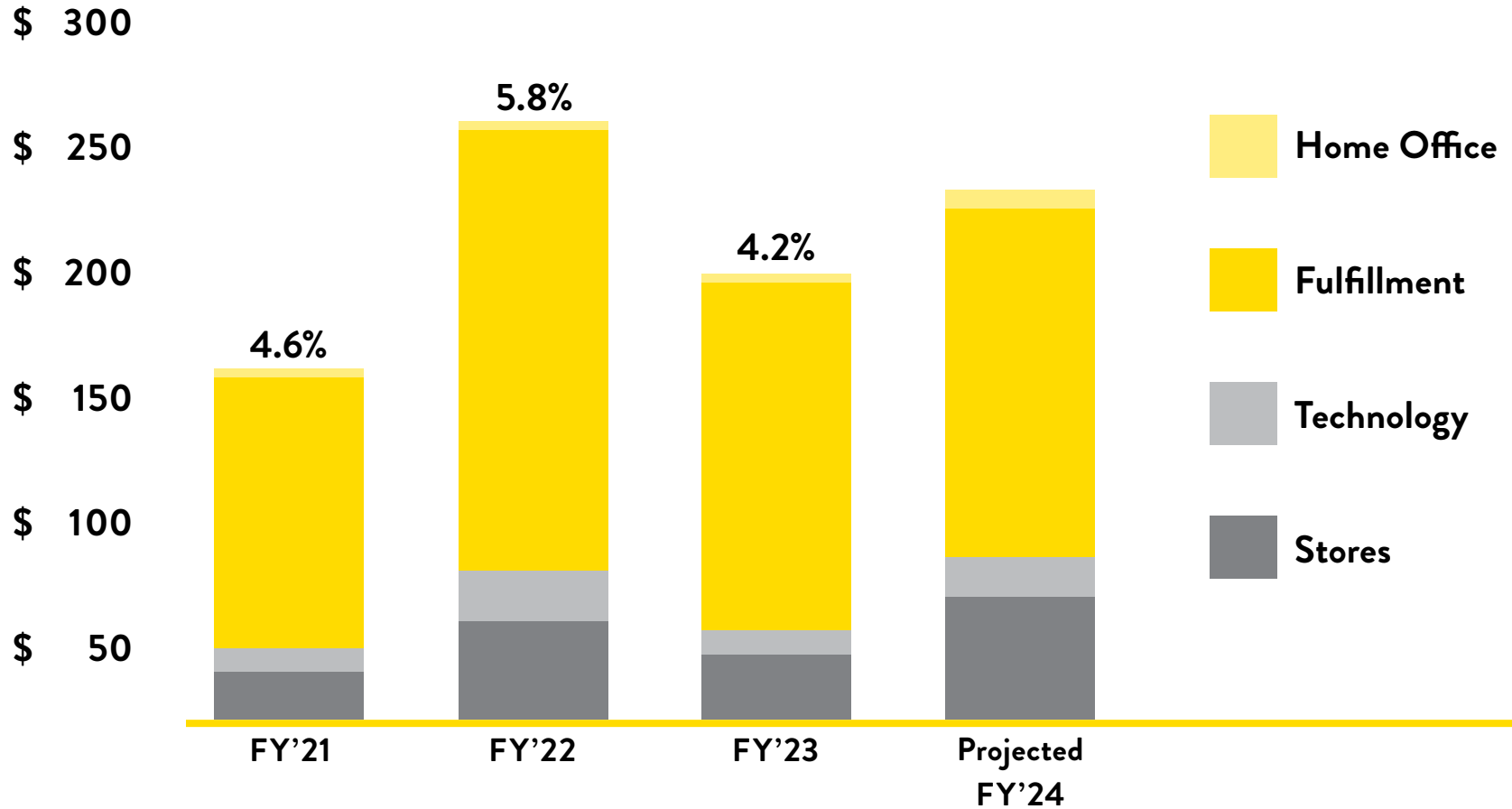
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



During the fourth quarter, capital expenditures were \$56 million while depreciation & amortization was \$25 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	4.7
Total Cost	\$ 157	\$ 121	\$ 217	\$ 7	\$ 56	\$ 112

The Company did not repurchase any shares during the quarter. The Company has authorization to repurchase approximately 19 million additional shares remaining granted by the Board of Directors resolution on June 4, 2019. Our weighted average diluted share count for the quarter was 93.6 million shares.



Global Retail Stores Summary

	YTD FY'23				Projected FY'24		
	Open as of January 31, 2022	Openings	Closings	Open as of January 31, 2023	Projected Openings	Projected Closings	Projected Open as of January 31, 2024
Anthropologie Group NA	217	5	5	217	8	6	219
Anthropologie Group EU	21	1	1	21	–	–	21
Total Anthropologie Group	238	6	6	238	8	6	240
Free People NA	147	3	4	146	6	1	151
FP Movement NA	20	11	–	31	10	–	41
Free People EU	6	5	–	11	1	–	12
Total Free People Group	173	19	4	188	17	1	204
Urban Outfitters NA	202	4	5	201	5	7	199
Urban Outfitters EU	59	3	–	62	3	1	64
Total Urban Outfitters	261	7	5	263	8	8	263
Menus & Venues	10	1	–	11	2	1	12
Total Company-Owned Stores	682	33	15	700	35	16	719
Franchisee-Owned Stores	3	5	–	8	2	–	10
Total URBN	685	38	15	708	37	16	729



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
	Q2	Store Count	239	183	261	11	694
		Selling SF	1,821	384	2,263	n/a	4,468
	Q3	Store Count	241	185	264	11	701
		Selling SF	1,830	386	2,282	n/a	4,498
	Q4	Store Count	238	188	263	11	700
		Selling SF	1,812	392	2,272	n/a	4,476

*includes 31 FP Movement stores as of Q4 FY'23, with a total Selling SF of 40

**excludes franchisee-owned stores