

Urban Outfitters, Inc.

FY'21 Q1 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2021 first quarter commentary ahead of our earnings call scheduled for May 19th 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.

Due to the impact of COVID-19, certain financial results contained in this commentary are preliminary due to the inclusion of a provisional impairment expense of long-lived assets and the corresponding tax effects. The Company’s assessment of these assets is in progress. While these items are non-cash in nature, potential adjustments to the provisional impairment expense could materially impact the reported results.

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, 2020	April 30, 2019
URBN Net Sales Change	-31.9%	1.0%
Gross Profit ^{*(a)}	2.0%	31.1%
Selling, General and Admin. Expenses*	35.8%	26.5%
(Loss) Income from Operations ^{*(a)}	-33.8%	4.6%
(Loss) Earnings Per Diluted Share ^(a)	\$ (1.41)	\$ 0.31

URBN sales for the first quarter declined by 32% to \$588 million. The decrease in sales was due in part to a Retail segment sales decline of 28% and a 74% decline in Wholesale segment sales.

Gross profit dollars decreased by 96% to \$12 million for the quarter, while gross profit rate declined to 2.0%. The decline in gross profit rate was due to significant store occupancy deleverage, a meaningful increase in inventory obsolescence reserves, an increase in delivery expense and an increase in merchandise markdowns. While stores were closed for half the quarter due to the coronavirus pandemic, store occupancy expense significantly deleveraged as rent and other occupancy costs are unadjusted until agreements are reached with landlords. Additionally, we recorded a \$15 million provisional store impairment charge during the quarter. Next, a large increase in inventory obsolescence reserves were recorded due an increase in aged inventory and an increase in the promotional environment in both the Retail and Wholesale segments. Delivery expense increased primarily due to the increase in penetration of the digital channel, lower average order value and an increase in split shipments.

Selling general & administrative ('SG&A') expenses decreased by 8% to \$211 million while SG&A as a % of sales increased to 35.8%. The deleverage in SG&A as a rate to sales was primarily related to deleverage in store and field management expense. URBN made the decision to continue to employ and pay a large portion of regional and store management teams despite store closures and reduced sales during the coronavirus pandemic. Additionally, marketing expenses increased as a rate to sales primarily due to the increase in digital channel penetration. Lastly, URBN recorded a significant increase in reserves for wholesale customer accounts receivables as a result of the significant disruption and uncertainty currently in the wholesale macro environment.

As a result of lower gross profit and higher SG&A expense, we recorded a \$199 million operating loss for the quarter. This loss included several significant non-cash expenses including \$15 million of provisional store impairment, \$43 million of increased inventory obsolescence reserves and \$6 million of accounts receivable reserves.

Net loss for the quarter was \$138 million or \$1.41 per diluted share.

^{*}expressed as a percent of net sales

^(a) Preliminary. Refer to page 12 for further details.



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Total Sales	\$ 588.5	\$ 864.4	\$ (275.9)	-32%
Retail Segment	\$ 561.2	\$ 782.6	\$ (221.4)	-28%
Anthropologie Group	234.1	352.8	(118.7)	-34%
Free People	87.6	107.7	(20.1)	-19%
Urban Outfitters	236.4	315.7	(79.3)	-25%
Menus & Venues	3.1	6.4	(3.3)	-51%
Retail Segment By Geography				
North America	501.3	698.8	(197.5)	-28%
Europe and ROW	59.9	83.8	(23.9)	-29%
Wholesale Segment	\$ 21.0	\$ 81.8	\$ (60.8)	-74%
Anthropologie Group	–	2.2	(2.2)	-100%
Free People	20.1	78.5	(58.4)	-74%
Urban Outfitters	0.9	1.1	(0.2)	-24%
Subscription Segment	\$ 6.3	–	\$ 6.3	n/a

Total Company or URBN sales for the first quarter decreased by 32% to \$588 million. URBN Retail segment sales declined 28% to \$561 million. The decrease in sales was driven by stores being closed for half of the quarter. While stores were closed our digital channel recorded strong double-digit sales increases partially offsetting the impact of closed stores during the quarter.

URBN Wholesale segment sales for the first quarter declined 74% to \$21 million. The decline in sales was primarily due to many of our wholesale customers having all or the majority of their operations closed for a large portion of the quarter.

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Total Sales	\$ 234.1	\$ 355.0	\$ (120.9)	-34%
Retail Segment	\$ 234.1	\$ 352.8	\$ (118.7)	-34%
Sales by Geography				
North America	223.8	338.4	(114.6)	-34%
Europe and ROW	10.3	14.4	(4.1)	-29%
Wholesale Segment	\$ –	\$ 2.2	\$ (2.2)	-100%
North America	–	1.9	(1.9)	-100%
Europe and ROW	–	0.3	(0.3)	-100%

Total Anthropologie Group brand sales decreased by 34% to \$234 million.

The decline in Anthropologie sales during the quarter primarily related to the 34% decline in Retail segment sales. The decline in Retail segment sales was due to stores being closed for half the quarter which was only partially offset by an increase in the digital channel. Within the digital channel the Home, Terrain, Beauty and Accessories categories outperformed women's apparel and BHLDN categories.



Revenue Metrics

free people

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Total Sales	\$ 107.7	\$ 186.2	\$ (78.5)	-42%
Retail Segment	\$ 87.6	\$ 107.7	\$ (20.1)	-19%
Sales by Geography				
North America	84.3	103.9	(19.6)	-19%
Europe and ROW	3.3	3.8	(0.5)	-14%
Wholesale Segment	\$ 20.1	\$ 78.5	\$ (58.4)	-74%
North America	18.5	74.9	(56.4)	-75%
Europe and ROW	1.6	3.6	(2.0)	-57%

Total Free People brand sales decreased by 42% to \$108 million for the quarter. This decrease was due to a 19% decline in Retail segment sales and a 74% decline in Wholesale segment sales.

The decline in Retail segment sales was due to stores being closed for half the quarter which was partially offset by a double-digit increase in the digital channel. Within the digital channel all categories delivered strong growth with FP Movement delivering exceptional growth in the quarter.

Wholesale segment sales declined by 74% as a result of the majority of Free People’s wholesale partners having all or a meaningful portion of their businesses closed for a significant portion of the quarter.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Total Sales	\$ 237.3	\$ 316.8	\$ (79.3)	-25%
Retail Segment	\$ 236.4	\$ 315.7	\$ (79.3)	-25%
Sales by Geography				
North America	190.1	250.1	(60.0)	-24%
Europe and ROW	46.3	65.6	(19.3)	-29%
Wholesale Segment	\$ 0.9	\$ 1.1	\$ (0.2)	-24%
North America	0.6	0.4	0.2	45%
Europe and ROW	0.3	0.7	(0.4)	-56%

Total Urban Outfitters brand sales decreased by 25% to \$237 million for the quarter.

The decline in Urban Outfitters sales during the quarter primarily related to the 25% decline in Retail segment sales. The decline in Retail segment sales was due to stores being closed for half the quarter which was partially offset by a strong double-digit increase in the digital channel. Within the digital channel all product categories delivered positive growth with the Home category delivering very strong growth during the quarter.



Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Gross Profit^{*(a)} \$'s	\$ 11.8	\$ 269.1	\$ (257.3)	-96%
Gross Profit^{*(a)} %	2.0%	31.1%		
Retail Segment				
Gross Profit ^{*(a)} \$'s	\$ 47.5	\$ 245.1	\$ (197.6)	-81%
Gross Profit ^{*(a)} %	8.5%	31.3%		
Wholesale Segment^(b)				
Gross Profit \$'s	\$ (33.9)	\$ 24.7	\$ (58.6)	-238%
Gross Profit %	-161.6%	30.1%		
Subscription Segment				
Gross Profit \$'s	\$ (1.8)	\$ (0.7)	\$ (1.1)	154%

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

(a) Preliminary. Includes provisional impairment charges of \$14.5 million in the current quarter, all related to the Retail Segment. Potential adjustments to the provisional impairment charges could materially impact the reported results.

(b) net of intersegment elimination

Total Company gross profit dollars decreased by 96% to \$12 million for the quarter, while gross profit rate declined to 2.0%. The decline in the total Company gross profit dollars and rate was driven by lower gross profit in the Retail, Wholesale and Subscription segments.

Retail segment gross profit decreased 81% to \$48 million while the Retail segment gross profit rate declined to 8.5% for the quarter.

The decline in gross profit rate was due to significant store occupancy deleverage, a meaningful increase in inventory obsolescence reserves, an increase in delivery expense and an increase in merchandise markdowns. While stores were closed for half the quarter due to the coronavirus pandemic, store occupancy expense significantly deleveraged as rent and other occupancy costs are unadjusted until agreements are reached with landlords. Additionally, we recorded a \$15 million provisional store impairment charge during the quarter. Next, a large increase in inventory obsolescence reserves were recorded due an increase in aged inventory and an increase in the promotional environment in both the Retail segment channels. Delivery expense increased primarily due to the increase in penetration of the digital channel, lower average order value and an increase in split shipments.

Wholesale segment gross profit decreased to a loss of \$34 million in the quarter. The decline in gross profit dollars was due to a significant increase in inventory obsolescence reserves and higher discounts and allowances versus the prior year.

Subscription segment gross profit was a loss of \$2 million for the quarter. Currently Nuuly's gross profit margin is negative as we continue to leverage into our investments and work to achieve greater operating efficiency.

URBN SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
SG&A* \$'s	\$ 210.5	\$ 229.1	\$ (18.6)	-8%
SG&A* %	35.8%	26.5%		

SG&A expenses decreased by 8% to \$211 million while SG&A as a % of sales increased to 35.8%. The deleverage in SG&A as a rate to sales was primarily related to deleverage in store and field management expense. URBN made the decision to continue to employ and pay a large portion of regional and store management teams despite store closures and reduced sales during the coronavirus pandemic. Additionally, marketing expenses increased as a rate to sales primarily due to the increase in digital channel penetration. Lastly, URBN recorded a significant increase in reserves for wholesale customer accounts receivables as a result of the significant disruption and uncertainty currently in the wholesale macro environment.

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



Operating (Loss) Income by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	April 30, 2020	April 30, 2019	\$	%
Operating (Loss) Income^(a) \$'s	\$ (198.7)	\$ 40.0	\$ (238.7)	-597%
Operating (Loss) Income^(a) %	-33.8%	4.6%		
Retail Segment				
Operating (Loss) Income ^(a) \$'s	\$ (135.5)	\$ 34.7	\$ (170.2)	-491%
Operating (Loss) Income ^(a) %	-24.1%	4.4%		
Wholesale Segment^(b)				
Operating (Loss) Income \$'s	\$ (46.0)	\$ 16.7	\$ (62.7)	-376%
Operating (Loss) Income %	-219.4%	20.4%		
Subscription Segment				
Operating (Loss) Income \$'s	\$ (6.0)	\$ (2.1)	\$ (3.9)	184%
General Corporate Expenses \$'s				
	\$ 11.2	\$ 9.3	\$ 1.9	21%

(a) Preliminary. Includes provisional impairment charges of \$14.5 million in the current quarter, all related to the Retail Segment. Potential adjustments to the provisional impairment charges could materially impact the reported results.

(b) net of intersegment elimination

As a result of lower gross profit and higher SG&A expense we recorded a \$199 million operating loss for the quarter. This loss included several significant non-cash expenses including \$15 million of provisional store impairment, \$43 million of increased inventory obsolescence reserves and \$6 million of accounts receivable reserves.

Retail segment operating loss of \$136 million was due to a lower gross profit rate and dollars and a higher SG&A expense rate versus the prior year.

Wholesale segment operating loss of \$46 million resulted from a gross profit loss and higher SG&A expense rate versus the prior year.

Subscription segment operating loss was \$6 million for the quarter.

General corporate expenses increased by \$2 million primarily due to timing of tax and legal settlements versus last year.



Statement of Operations Summary

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

Three Months Ended

	April 30, 2020	% of Net Sales	April 30, 2019	% of Net Sales
Net Sales	\$ 588.5	100%	\$ 864.4	100%
Cost of Sales (excluding Store Impairment)	562.2	95.5	595.3	68.9
Store Impairment ^(a)	14.5	2.5	—	—
Gross Profit	11.8	2.0	269.1	31.1
Selling, General and Admin. Expenses	210.5	35.8	229.1	26.5
(Loss) Income from Operations	(198.7)	(33.8)	40.0	4.6
Other Income, Net	0.1	0.1	2.7	0.3
(Loss) Income Before Income Taxes	(198.6)	(33.7)	42.7	4.9
Income Tax (Benefit) Expense ^(b)	(60.1)	(10.2)	10.1	1.1
Net (Loss) Income	\$ (138.4)	(23.5)%	\$ 32.6	3.8%
Diluted Share Count	97.9		105.3	
(Loss) Earnings Per Diluted Share	\$ (1.41)		\$ 0.31	

The effective tax rate for the first quarter was a benefit of 30.3% compared to an expense of 23.7% in the prior year quarter.

Net loss was \$138 million or \$1.41 cents per diluted share for the first quarter.

(a) Preliminary. Excludes potential adjustments to the provisional impairment charges, which could materially impact the reported results.

(b) Excludes the tax impact of potential adjustments to provisional impairment charges of long-lived assets due to COVID-19.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	April 30, 2020	April 30, 2019
Assets		
Cash and Cash Equivalents	\$ 589	\$ 291
Marketable Securities	65	229
Accounts Receivable, Net	56	88
Inventory	336	408
Other Current Assets	131	123
Total Current Assets	1,177	1,139
Property and Equipment, Net ^(a)	880	829
Operating Lease ROU Assets ^(a)	1,117	1,088
Marketable Securities	13	94
Other Assets ^(b)	169	102
Total Assets	\$ 3,356	\$ 3,252
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 105	\$ 174
Current Operating Lease Liabilities	244	214
Other Current Liabilities	315	260
Total Current Liabilities	664	648
Non-Current Operating Lease Liabilities	1,089	1,092
Long-Term Debt	220	-
Deferred Rent and Other Liabilities	85	64
Total Liabilities	2,058	1,804
Total Shareholders' Equity	1,298	1,448
Total Liabilities and Shareholders' Equity	\$ 3,356	\$ 3,252

As of April 30, 2020, Inventory decreased 18% to \$336 million, driven by an 18% decrease in Retail segment inventory.

As of April 30, 2020, cash and marketable securities totaled \$667 million with \$220 million drawn down on our \$350 million asset backed line of credit facility.

(a) Preliminary. Excludes potential adjustments to the provisional impairment charges, which could materially impact the reported results.

(b) Excludes the tax impact of potential adjustments to provisional impairment charges of long-lived assets due to COVID-19.

URBN Inventory Data

(\$ in millions)
(unaudited)

	April 30, 2020	April 30, 2019	Variance	
			\$	%
URBN Inventory	\$ 335.6	\$ 408.4	\$ (72.8)	-18%
Retail Segment by Brand	\$ 299.8	\$ 365.6	\$ (65.8)	-18%
Anthropologie Group	144.4	169.5	(25.1)	-15%
Free People	43.5	47.8	(4.3)	-9%
Urban Outfitters	111.9	148.3	(36.4)	-25%
Wholesale Segment by Brand	\$ 35.8	\$ 42.8	\$ (7.0)	-16%
Anthropologie Group	2.1	1.5	0.6	38%
Free People	31.9	40.8	(8.9)	-22%
Urban Outfitters	1.8	0.5	1.3	279%
Subscription Segment Rental Product, Net*	\$ 17.4	\$ -	\$ 17.4	n/a

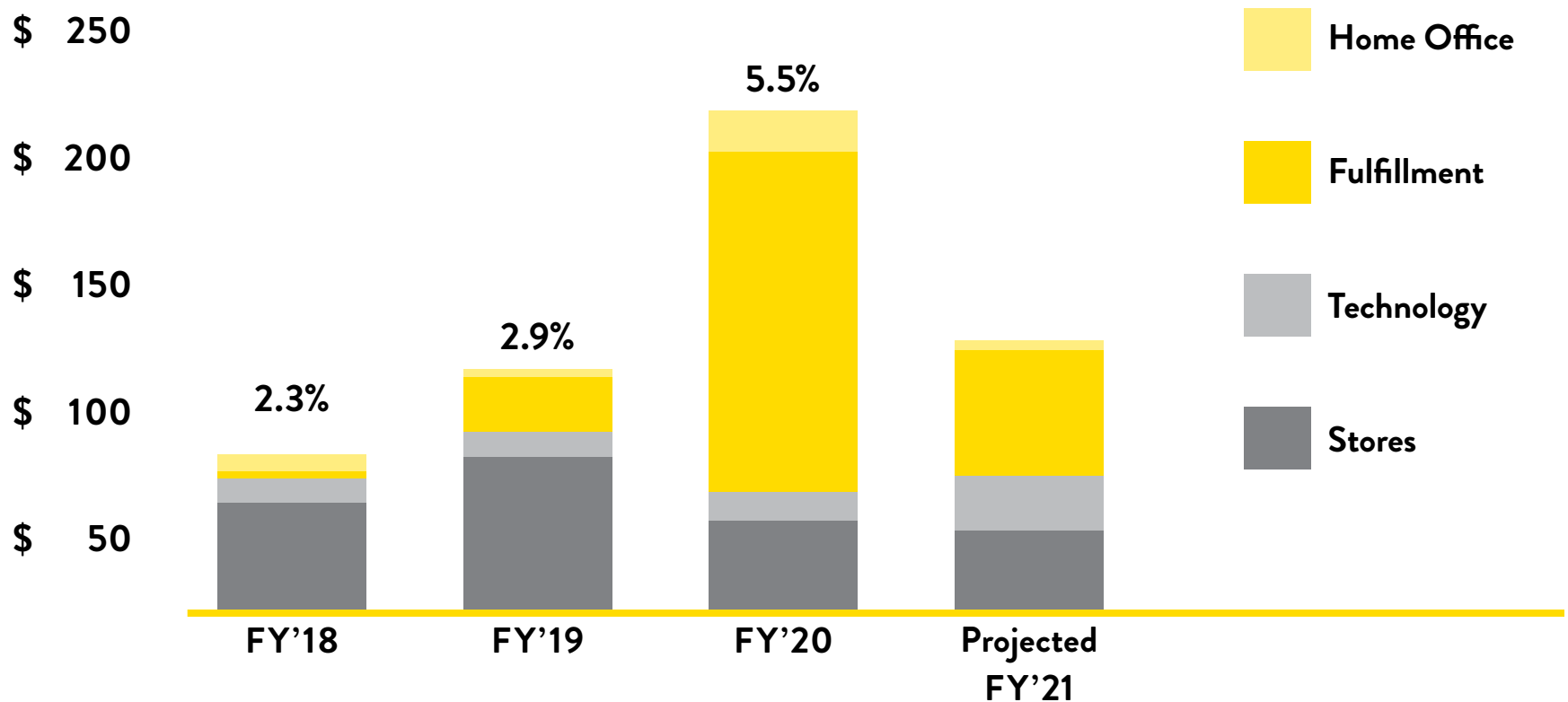
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



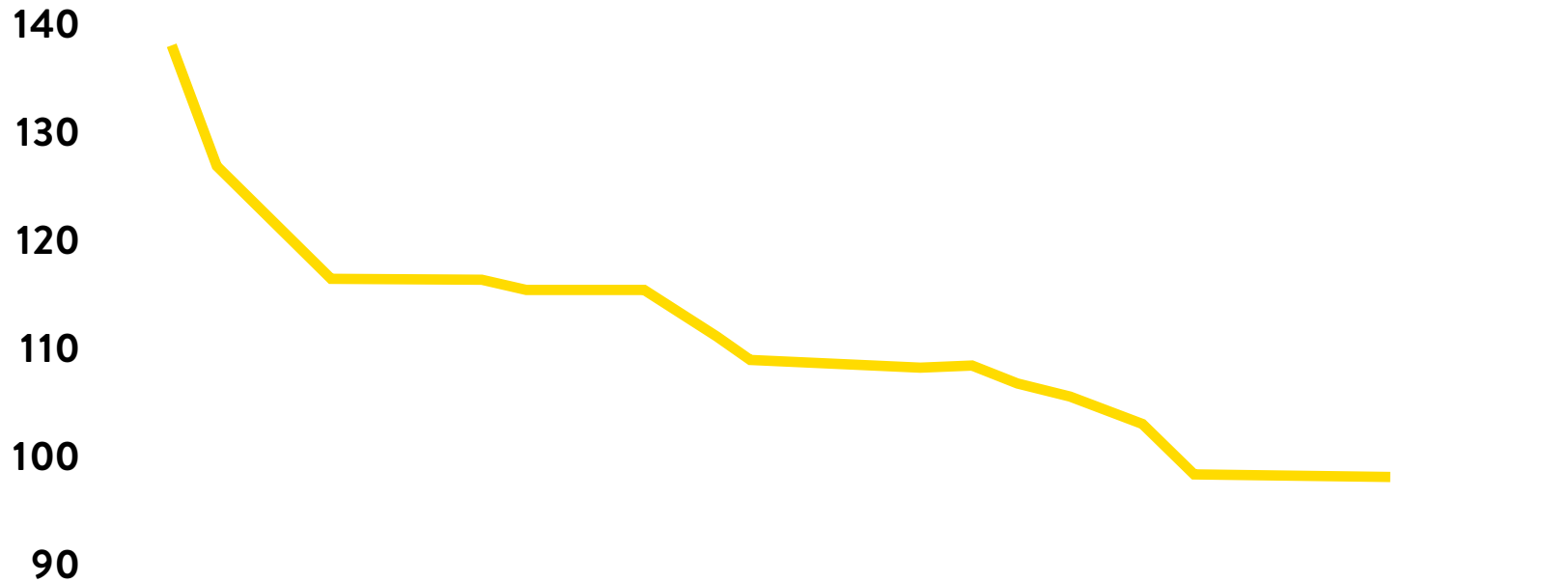
During the first quarter, capital expenditures were \$44 million while depreciation & amortization was \$28 million.



Shares Outstanding

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

Ending Shares Outstanding



	FY'16	FY'17	FY'18	FY'19	FY'20	Q1 FY'21
Shares Repurchased						
Number of Shares	15	1.3	8.1	3.5	8.1	0.5
Total Cost	\$ 465	\$ 46	\$ 157	\$ 121	\$ 217	\$ 7

The Company repurchased 482 thousand shares for \$7 million during the quarter. The Company has authorization to repurchase approximately 26 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 97.9 million shares.



Global Retail Stores Summary

	Q1 FY'21				Projected Q2-Q4 FY'21		
	Open as of January 31, 2020	Openings	Closings	Open as of April 30, 2020	Projected Openings	Projected Closings	Projected Open as of January 31, 2021
Anthropologie Group NA	211	1	–	212	5	4	213
Anthropologie Group EU	20	1	–	21	–	–	21
Total Anthropologie Group	231	2	–	233	5	4	234
Free People NA	140	–	–	140	4	1	143
Free People EU	4	–	–	4	1	–	5
Total Free People	144	–	–	144	5	1	148
Urban Outfitters NA	194	2	1	195	4	4	195
Urban Outfitters EU	54	–	–	54	3	–	57
Total Urban Outfitters	248	2	1	249	7	4	252
Menus & Venues	11	–	–	11	–	–	11
Total Company-Owned Stores	634	4	1	637	17	9	645
Franchisee-Owned Stores	7	–	–	7	–	–	7
Total URBN	641	4	1	644	17	9	652



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'20	Q1	Store Count	228	136	245	12	621
		Selling SF	1,782	304	2,196	n/a	4,282
	Q2	Store Count	228	137	246	11	622
		Selling SF	1,782	306	2,203	n/a	4,291
	Q3	Store Count	231	143	249	11	634
		Selling SF	1,790	322	2,223	n/a	4,335
	Q4	Store Count	231	144	248	11	634
		Selling SF	1,776	325	2,218	n/a	4,319

		AN	FP	UO	M&V	URBN*	
FY'21	Q1	Store Count	233	144	249	11	637
		Selling SF	1,793	325	2,220	n/a	4,338

*excludes franchisee-owned stores