SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

# FORM 10-Q

[ X ] QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended July 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to _____________

Commission File Number 0-16999

Urban Outfitters, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| PENNSYLVANIA | 23-2003332 |
| (State or Other Jurisdiction of Incorporation of Organization) | (I.R.S. Employer Identification No.) |
| 1809 Walnut Street, Philadelphia, PA | 19103 |
| (Address of principal executive office) | (Zip Code) |

(215) 564-2313
(Registrant's telephone number including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

| Title of Each Class of Common Stock | Number of Shares Outstanding at September 13, 2000 |
|---|---|
| Common Shares, par value, $.0001 per share | 17,253,486 |

INDEX





URBAN OUTFITTERS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(Unaudited)

| | July 31, 2000 | January 31, 2000 | July 31, 1999 |
|---|---|---|---|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 6,846 | $ 12,727 | $ 8,879 |
| Marketable securities | 8,319 | 11,225 | 10,188 |
| Accounts receivable, net of allowance for doubtful accounts of $509, $518 and $594, respectively | 5,922 | 4,825 | 6,176 |
| Inventories | 41,548 | 26,868 | 31,083 |
| Prepaid expenses and other current assets | 7,841 | 10,433 | 6,740 |
| Total current assets | 70,476 | 66,078 | 63,066 |
| Property and equipment, net | 84,105 | 72,819 | 51,593 |
| Marketable securities | -- | 8,646 | 17,294 |
| Other assets | 5,946 | 5,958 | 9,143 |
| | $ 160,527 | $ 153,501 | $ 141,096 |

| | | | |
|---|---|---|---|
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 22,421 | $ 16,760 | $ 17,285 |
| Accrued expenses and other current liabilities | 9,280 | 11,312 | 8,715 |
| Total current liabilities | 31,701 | 28,072 | 26,000 |
| Deferred rent | 5,040 | 4,513 | 4,245 |
| Total liabilities | 36,741 | 32,585 | 30,245 |
| Shareholders' equity: | | | |
| Preferred shares; $.0001 par value, 10,000,000 authorized, none issued | -- | -- | -- |
| Common shares; $.0001 par value, 50,000,000 shares authorized, 17,253,486, 17,358,186 and 17,537,041 issued and outstanding, respectively | 2 | 2 | 2 |
| Additional paid-in capital | 16,268 | 17,680 | 19,422 |
| Retained earnings | 108,341 | 103,614 | 91,981 |
| Accumulated other comprehensive loss | (825) | (380) | (554) |
| Total shareholders' equity | 123,786 | 120,916 | 110,851 |
| | $ 160,527 | $ 153,501 | $ 141,096 |

See accompanying notes



# URBAN OUTFITTERS, INC.
## Condensed Consolidated Statements of Income
(in thousands, except share and per share data)
(Unaudited)

| | Three Months Ended July 31, 2000 | Three Months Ended July 31, 1999 | Six Months Ended July 31, 2000 | Six Months Ended July 31, 1999 |
|---|---|---|---|---|
| Net sales | $ 66,301 | $ 67,976 | $ 131,592 | $ 125,967 |
| Cost of sales, including certain buying, distribution and occupancy costs | 46,522 | 41,680 | 88,599 | 78,243 |
| Gross profit | 19,779 | 26,296 | 42,993 | 47,724 |
| Selling, general and administrative expenses | 16,769 | 15,664 | 34,971 | 31,080 |
| Income from operations | 3,010 | 10,632 | 8,022 | 16,644 |
| Other income (expense), net | (41) | (1,905) | 59 | (2,469) |
| Income before income taxes | 2,969 | 8,727 | 8,081 | 14,175 |
| Income tax expense | 1,232 | 4,630 | 3,354 | 7,128 |
| Net income | $ 1,737 | $ 4,097 | $ 4,727 | $ 7,047 |
| Net income per common share: | | | | |
| Basic | $ 0.10 | $ 0.23 | $ 0.27 | $ 0.40 |
| Diluted | $ 0.10 | $ 0.23 | $ 0.27 | $ 0.40 |
| Weighted average common shares outstanding: outstanding: | | | | |
| Basic | 17,253,486 | 17,463,954 | 17,260,805 | 17,477,153 |
| Diluted | 17,254,799 | 17,854,249 | 17,269,745 | 17,780,847 |

See accompanying notes



# URBAN OUTFITTERS, INC.
## Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)
(Unaudited)

| | Comprehensive Income Quarter | Comprehensive Income Year-To-Date | Common Shares Number of Shares | Common Shares Par Value | Common Shares Additional Paid-in Capital | Retained Earnings |
|---|---|---|---|---|---|---|
| Balances at February 1, 2000 | | | 17,358,186 | $ 2 | $ 17,680 | $ 103,614 |
| Net income | $ 1,737 | $ 4,727 | - | - | - | 4,727 |
| Comprehensive loss: | | | | | | |
| Foreign currency translation adjustments, net | (221) | (356) | | | | |
| Unrealized marketable securities losses, net | (89) | (89) | | | | |
| | (310) | (445) | - | - | - | - |
| Comprehensive income | $ 1,427 | $ 4,282 | | | | |
| Purchases and retirements of common shares | | | (104,700) | - | (1,412) | - |
| Balances at July 31, 2000 | | | 17,253,486 | $ 2 | $ 16,268 | $ 108,341 |
| Balances at February 1, 1999 | | | 17,639,754 | $ 2 | $ 20,825 | $ 84,934 |
| Net income | $ 4,097 | $ 7,047 | - | - | - | 7,047 |
| Foreign currency translation adjustments, net | (273) | (87) | - | - | - | - |
| Comprehensive income | $ 3,824 | $ 6,960 | | | | |
| Exercises of stock options | | | 268,832 | - | 3,591 | - |
| Purchases and retirements of common shares | | | (371,545) | - | (4,994) | - |
| Balances at July 31, 1999 | | | 17,537,041 | $ 2 | $ 19,422 | $ 91,981 |

| | Accumulated Other Comprehensive Loss | Total |
|---|---|---|
| Balances at February 1, 2000 | $ (380) | $ 120,916 |
| Net income | - | 4,727 |
| Comprehensive loss: | | |
| Foreign currency translation adjustments, net | | |
| Unrealized marketable securities losses, net | | |
| | (445) | (445) |
| Comprehensive income | | |
| Purchases and retirements of common shares | - | (1,412) |

| | | |
|---|---|---|
| Balances at July 31, 2000 | $ (825) | $ 123,786 |

| | | |
|---|---|---|
| Balances at February 1, 1999 | $ (467) | $ 105,294 |
| Net income | - | 7,047 |
| Foreign currency translation adjustments, net | (87) | (87) |
| Comprehensive income | | |
| Exercises of stock options | - | 3,591 |
| Purchases and retirements of common shares | - | (4,994) |
| Balances at July 31, 1999 | $ (554) | $ 110,851 |

See accompanying notes



URBAN OUTFITTERS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 4,727 | $ 7,047 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,347 | 3,918 |
| Provision for losses of MXG Media, Inc. | -- | 3,500 |
| Changes in assets and liabilities: | | |
| Increase in receivables | (1,097) | (1,352) |
| Increase in inventories | (14,680) | (9,202) |
| Decrease (increase) in prepaid expenses and other assets | 2,604 | (631) |
| Increase in payables, accrued expenses and other liabilities | 4,156 | 2,176 |
| Net cash provided by operating activities | 1,057 | 5,456 |
| Cash flows from investing activities: | | |
| Capital expenditures | (16,481) | (12,304) |
| Purchases of marketable securities | (500) | (11,572) |
| Sales and maturities of marketable securities | 11,811 | 9,199 |
| Advances to MXG Media, Inc. | -- | (5,575) |
| Net cash used in investing activities | (5,170) | (20,252) |
| Cash flows from financing activities: | | |
| Exercise of stock options | -- | 3,591 |
| Purchases and retirement of common stock | (1,412) | (4,994) |
| Net cash used in financing activities | (1,412) | (1,403) |
| Effect of exchange rate changes on cash and cash equivalents | (356) | (87) |

| | | |
|---|---|---|
| Decrease in cash and cash equivalents | (5,881) | (16,286) |
| Cash and cash equivalents at beginning of period | 12,727 | 25,165 |
| Cash and cash equivalents at end of period | $ 6,846 | $ 8,879 |

See accompanying notes



URBAN OUTFITTERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2000, filed with the Securities and Exchange Commission on April 14, 2000.

Certain prior period amounts have been reclassified to conform to the current year's presentation.

2. Marketable Securities

Marketable securities are classified as follows:

| | July 31, 2000 | January 31, 2000 | July 31, 1999 |
|---|---|---|---|
| | | (in thousands) | |
| Current portion | | | |
| Held-to-maturity.......................... | $ - | $ 5,938 | $ 7,565 |
| Available-for-sale........................ | 8,319 | 5,287 | 2,623 |
| | 8,319 | 11,225 | 10,188 |
| Noncurrent portion | | | |
| Held-to-maturity.......................... | - | 8,646 | 17,294 |
| Total marketable securities.................. | $ 8,319 | $ 19,871 | $ 27,482 |

The difference between the fair market value and amortized cost of marketable securities is immaterial.



3. Net Income Per Share

The difference between the number of weighted average common shares outstanding used for basic net income per share and the number used for dilutive net income per share represents the share effect of dilutive stock options.

Options to purchase 1,031,000 and 237,500 shares were outstanding at July 31, 2000 and 1999, respectively, but were not included in the computation of EPS because the options' exercise prices were greater than the average market price of the common shares.

4. Segment Reporting

Urban Outfitters is a national retailer of lifestyle-oriented general merchandise through 63 stores operating under the retail names "Urban Outfitters" and "Anthropologie," and through a catalog and two web sites. Sales from this retail segment account for over 90% of total consolidated sales for the fiscal year ended January 31, 2000. The remainder is derived from a wholesale division that manufactures and distributes apparel to the retail segment and to over 1,300 better specialty stores worldwide.

The Company has aggregated its operations into these two reportable segments based upon their unique management, customer base and economic characteristics. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. The Company evaluates the performance of the segments based on the net sales and pre-tax income from operations (excluding intercompany royalty and interest charges) of the segment. Corporate expenses include expenses incurred in and directed by the corporate office that are not allocated to segments. The principal identifiable assets for each operating segment are inventory and fixed assets. Other assets are comprised primarily of general corporate assets, which principally consist of cash and cash equivalents, marketable securities and other assets. The Company accounts for intersegment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.



4. Segment Reporting (continued)

Both the retail and wholesale segment are highly diversified. No customer comprises more than 10% of sales. Foreign operations are immaterial relative to the overall Company.

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Operating revenues | | | | |
| Retail operations | $ 61,254 | $ 62,728 | $120,201 | $115,171 |
| Wholesale operations | 6,264 | 6,172 | 13,754 | 12,358 |
| Intersegment elimination | (1,217) | (924) | (2,363) | (1,562) |
| Total net sales | $ 66,301 | $ 67,976 | $131,592 | $125,967 |
| Income from operations | | | | |
| Retail operations | $ 2,507 | $ 10,109 | $ 6,695 | $ 16,766 |
| Wholesale operations | 1,321 | 1,366 | 2,958 | 1,865 |
| Intersegment elimination | (258) | (190) | (520) | (311) |
| Total segment operating income | 3,570 | 11,285 | 9,133 | 18,320 |
| General corporate expenses | (560) | (653) | (1,111) | (1,676) |
| Total income from operations | $ 3,010 | $ 10,632 | $ 8,022 | $ 16,644 |

| | July 31, 2000 | January 31, 2000 | July 31, 1999 |
|---|---|---|---|
| Net fixed assets | | | |
| Retail operations | $ 83,067 | $ 71,805 | $ 50,517 |
| Wholesale operations | 1,037 | 1,013 | 1,075 |
| Corporate | 1 | 1 | 1 |
| Total net fixed assets | $ 84,105 | $ 72,819 | $ 51,593 |
| Inventory | | | |
| Retail operations | $ 38,983 | $ 25,217 | $ 28,724 |
| Wholesale operations | 2,565 | 1,651 | 2,359 |
| Total inventory | $ 41,548 | $ 26,868 | $ 31,083 |



5. Investment in MXG Media, Inc.

As of July 31, 2000, the Company had invested approximately $2.0 million in Series B Convertible Preferred Stock and $2.4 million in convertible debentures of MXG Media, Inc. ("MXG"). MXG has incurred losses since its inception, and, in accordance with the equity method of accounting, the Company recorded charges to earnings of $4.4 million for its portion of operating losses related to the minority interest in MXG during the fiscal year ended January 31, 2000 (including $2.5 million for the quarter and $3.5 million for the six months ended July 31, 1999). These charges fully reserved for the Company's investment.

During the quarter ended July 31, 1999, the Company advanced $3.4 million of bridge financing to MXG in the form of promissory notes. This amount, together with previous and subsequent advances, was repaid with interest on November 1, 1999. As of July 31, 1999, the Company's net investment in MXG was $5.8 million.

On September 13, 2000, MXG filed a Petition for Relief under Chapter 7 of the United States Bankruptcy Code. MXG had been unsuccessful in attempts to raise additional capital. The Company expects the ultimate recovery of its investment in MXG, if any, to be di minimus.

6. Common Stock Purchase and Retirement

In February 2000, the Company purchased and retired 104,700 shares of its common stock at a cost of $1.4 million, in open market transactions, pursuant to a Board resolution adopted in January 2000. This resolution authorizes the Company to purchase up to 1,000,000 shares of the Company's common stock, from time-to-time, based on prevailing market conditions. As of July 31, 2000, up to 880,500 additional shares are authorized for purchase under the January 2000 buy-back plan.



PART I

FINANCIAL INFORMATION (continued)

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

This Securities and Exchange Commission filing is being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of

1995. Certain matters contained in this filing may constitute forward-looking statements. Any one, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: industry competition factors, unavailability of suitable retail space for expansion, timing of store openings, difficulty in predicting and responding to fashion trend shifts, seasonal fluctuations in gross sales, the departure of one or more key senior managers and other risks identified in filings with the Securities and Exchange Commission.

Thus far this fiscal year, the Company has opened three new Urban Retail stores and three new Anthropologie stores. Management plans to open approximately six to eight additional new stores during the remainder of the fiscal year.

## RESULTS OF OPERATIONS

The Company's operating years end on January 31 and include twelve periods ending on the last day of the calendar month. For example, the fiscal year 2001 ("FY 2001") will end on January 31, 2001. This discussion of results of operations addresses the second quarter and first six months of FY 2001 and FY 2000.



The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by certain income statement data. The following discussion should be read in conjunction with the table that follows:

| | Three Months Ended July 31, | | Six Months Ended July 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales, including certain buying, distribution and occupancy costs | 70.2 | 61.3 | 67.3 | 62.1 |
| Gross profit | 29.8 | 38.7 | 32.7 | 37.9 |
| Selling, general and administrative expenses | 25.3 | 23.1 | 26.6 | 24.7 |
| Income from operations | 4.5 | 15.6 | 6.1 | 13.2 |
| Other income (expense), net | (.1) | (2.8) | .1 | (1.9) |
| Income before income taxes | 4.4 | 12.8 | 6.2 | 11.3 |
| Income tax expense | 1.8 | 6.8 | 2.6 | 5.7 |
| Net income | 2.6% | 6.0% | 3.6% | 5.6% |

## SECOND QUARTER ENDED JULY 31, 2000 COMPARED TO THE SECOND QUARTER ENDED JULY 31, 1999

Net sales decreased during the second quarter ended July 31, 2000 to $66.3 million, down 2.5% from $68.0 million for the same quarter last year. The $1.7 million decrease versus the prior year's second quarter was primarily the result of a 14% comparable store sales decrease of $8.2 million combined with a Wholesale segment sales decrease of $0.2 million, which more than offset sales increases at noncomparable and new stores of $5.5 million and increases at the new Urban web site and the Anthropologie catalog and web site of $1.2 million.

The Company's gross profit margin expressed as a percentage of sales decreased to 29.8% versus 38.7% for the comparable period last year, primarily due to additional retail clearance markdowns and the deleveraging impact on occupancy costs caused by the negative comparable store sales trend, as well as the increased occupancy costs of noncomparable and new stores.

Selling, general and administrative expenses expressed as a percentage of sales for the quarter ended July 31, 2000 increased to 25.3% compared to 23.1%

for the same quarter last year. For the retail store operations, the Company's cost control efforts continued to reduce the deleveraging impact of the comparable store sales decreases. Noncomparable and new stores, however, with lower average sales volumes, have higher proportionate expenses than comparable stores and accounted for the majority of the increase. Anthropologie direct response operations experienced a decrease in operating expense percentages for the quarter due to the leveraging of production and fulfillment costs as a result of the elimination of third-party service providers and increased demand and circulation. Additionally, start-up costs were incurred for the design,



production and administration of the new Urban e-commerce web site (www.urbn.com) which launched in May 2000.

Net income for the quarter ended July 31, 2000 was $1.7 million compared to $4.1 for the comparable quarter last year.

As of July 31, 2000, the Company had invested approximately $2.0 million in Series B Convertible Preferred Stock and $2.4 million in convertible debentures of MXG Media, Inc. ("MXG"). MXG has incurred losses since its inception, and, in accordance with the equity method of accounting, the Company recorded charges to earnings of $4.4 million for its portion of operating losses related to the minority interest in MXG during the fiscal year ended January 31, 2000 (including $2.5 million for the quarter and $3.5 million for the six months ended July 31, 1999). These charges fully reserved for the Company's investment.

During the quarter ended July 31, 1999, the Company advanced $3.4 million of bridge financing to MXG in the form of promissory notes. This amount, together with previous and subsequent advances, was repaid with interest on November 1, 1999. As of July 31, 1999, the Company's net investment in MXG was $5.8 million.

On September 13, 2000, MXG filed a Petition for Relief under Chapter 7 of the United States Bankruptcy Code. MXG had been unsuccessful in attempts to raise additional capital. The Company expects the ultimate recovery of its investment in MXG, if any, to be di minimus.

SIX MONTHS ENDED JULY 31, 2000 COMPARED
TO THE SIX MONTHS ENDED JULY 31, 1999

Net sales increased during the six months ended July 31, 2000 to $131.6 million, up 4.4% from $126.0 million for the same period last year. The $5.6 million increase over the prior year's first six months was the result of new and noncomparable stores' sales increases of $11.7 million; Urban web site and Anthropologie catalog and web site sales increases of $2.6 million; and Wholesale segment sales increases of $0.6 million. These increases were offset by a 9% comparable store sales decrease which accounted for a $9.3 million reduction in sales.

The Company's gross profit margin for the six months ended July 31, 2000, expressed as a percentage of sales, decreased to 32.7% from 37.9% for the comparable period last year. This decrease was due primarily to additional retail clearance markdowns to move seasonal merchandise and the deleveraging of occupancy costs because of the negative comparable store sales trend, as well as the increased occupancy costs of noncomparable and new stores.



Selling, general and administrative expenses for the six months ended July

31, 2000, expressed as a percentage of sales, increased to 26.6% versus 24.7% for the comparable period last year. For the retail store operations, the Company's cost control efforts continued to reduce the deleveraging impact of the comparable store sales decreases. Noncomparable and new stores, however, with lower average sales volumes, have higher proportionate expenses than comparable stores and accounted for the majority of the increase. As mentioned above, Anthropologie direct response operations exhibited an increase in demand and circulation while start-up costs were incurred for the design, production and administration of the new Urban e-commerce web site (www.urbn.com).

Net income for the six months ended July 31, 2000 was $4.7 million versus $7.0 million for the comparable period last year.

## LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and marketable securities were $15.2 million at July 31, 2000, as compared to $32.6 million at January 31, 2000 and $36.4 million at July 31, 1999. The Company's net working capital was $38.8 million at July 31, 2000, as compared to $38.0 million at January 31, 2000 and $37.1 million at July 31, 1999. The decrease in cash, cash equivalents and marketable securities at July 31, 2000 from year end principally reflects the funding of FY 2001's capital expenditures (primarily for new store construction), the increase in inventory for new stores and the seasonal building of inventory in existing stores. Cash requirements for these activities, combined with $1.4 million expended to purchase 104,700 shares of the Company's common stock, more than offset cash generated from net income.

Total inventories at July 31, 2000 increased by 33.7% versus the comparable period end last year, principally attributable to new store requirements and a 19% increase in comparable store inventories. Comparable store inventories at July 31, 1999 were below planned levels because of the strong comparable stores sales trend last year. This year, earlier receipt of certain merchandise categories and this quarter's negative comparable store sales trend account for the remainder of the increase. Direct response inventories are higher due to expanded catalog circulation and demand. The Wholesale segment's inventories increased 9%, in line with fall merchandise sales trends.

The Company expects that capital expenditures for the current year will be approximately $35.0 million. The Company expects that existing cash and investments at July 31, 2000, as well as cash from future operations and available credit under the Company's line of credit facilities, will be sufficient to meet the Company's cash needs through January 31, 2001.



Accrued expenses and other current liabilities increased to $9.3 million as of July 31, 2000 from $8.7 million at July 31, 1999. The increase in the components of accrued expenses and other current liabilities (which includes accrued incentive and other compensation, accrued benefits and accrued income taxes) is primarily attributable to additional stores.

The Company has lines of credit, aggregating $26.2 million, available to facilitate letter of credit transactions and cash advances. As of and during the six months ended July 31, 2000, there were no borrowings. Outstanding letters of credit totaled $11.6 million, $6.6 million and $8.0 million at July 31, 2000, January 31, 2000 and July 31, 1999, respectively. The fair value of these letters of credit is estimated to be the same as the contract values.

## OTHER MATTERS

### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") which was adopted in Fiscal 2001. The

Company currently enters into short- term foreign currency forward exchange contracts to manage exposures related to its Canadian dollar denominated investments and anticipated cash flow. The amounts of the contracts and related gains and losses have not been material. The adoption of SFAS No. 133 is not expected to have a significant effect on the financial position or results of operations of the Company.

Market Risks

The Company is exposed to the following types of market risks - fluctuations in the purchase price of merchandise, as well as other goods and services; the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to the Company's inventory turn and its historical ability to pass through the impact of any generalized changes in its cost of goods to its customers through pricing adjustments, commodity and other product risks are not expected to be material. The Company purchases substantially all its merchandise in U.S. dollars, including a portion of the goods for its stores located in Canada and the United Kingdom. As explained in the section above on "Recent Accounting Pronouncements," the market risk is further limited by the Company's purchase of foreign currency forward exchange contracts.

Since the Company has not been a borrower thus far this year, its exposure to interest rate fluctuations has been limited to the impact on its marketable securities portfolio. This exposure is minimized by the limited investment maturities and "put" options available to the Company. The impact of a hypothetical two percent increase or decrease in prevailing interest rates would not materially affect the Company's consolidated financial position or results of operations.



Seasonality and Quarterly Results

While Urban Outfitters has been profitable in each of its last 42 operating quarters, its operating results are subject to seasonal fluctuations. While the Company's negative comparable store sales trend has continued since July 31, 2000, the Company's results of operations in any one fiscal quarter are not necessarily indicative of the results of operations that can be expected for any other fiscal quarter or for the full fiscal year. The Company's highest sales levels have historically occurred during the five-month period from August 1 to December 31 of each year (the "Back-to-School" and Holiday periods). Sales generated during these periods have traditionally had a significant impact on the Company's results of operations.

The Company's results of operations may also fluctuate from quarter to quarter as a result of the amount and timing of expenses incurred in connection with, and sales contributed by, new stores, store expansions and the integration of new stores into the operations of the Company or by the size and timing of mailings and web site traffic for the Company's direct response operations. Fluctuations in the bookings and shipments of Wholesale merchandise between quarters can also have positive or negative effects on earnings during the quarters.



PART II

OTHER INFORMATION

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None



Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

URBAN OUTFITTERS, INC.
(Registrant)

By: /s/ Richard A. Hayne
Richard A. Hayne
Chairman of the Board of Directors

By: /s/ Stephen A. Feldman
Stephen A. Feldman
Chief Financial Officer

Dated: September 13, 2000

| | |
|---|---|
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| <TOTAL-REVENUES> | 131,592 |
| <CGS> | 88,599 |
| <TOTAL-COSTS> | 88,599 |
| <OTHER-EXPENSES> | 59 |
| <LOSS-PROVISION> | 0 |
| <INTEREST-EXPENSE> | (228) |
| <INCOME-PRETAX> | 8,081 |
| <INCOME-TAX> | 3,354 |
| <INCOME-CONTINUING> | 4,727 |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 4,727 |
| <EPS-BASIC> | .27 |
| <EPS-DILUTED> | .27 |