

# Urban Outfitters, Inc.

## FY'21 Q2 RESULTS





# Introduction

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Urban Outfitters, Inc. “URBN” is providing fiscal 2021 second quarter commentary ahead of our earnings call scheduled for August 25th at 5:30pm.

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

Our second quarter earnings release and related financial information are available on our website, [www.urbn.com](http://www.urbn.com).



# Table of Contents

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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
Inventory Detail.....	14
Capital Spending.....	15
Shares Outstanding.....	16
Global Store Summary.....	17
Global Store Count & Square Footage.....	18



# Key Financial Highlights

	Three Months Ended	
	July 31, 2020	July 31, 2019
URBN Net Sales Change	-16.5%	-3.0%
Gross Profit*	29.6%	32.8%
Selling, General and Admin. Expenses*	21.0%	24.7%
Income from Operations*	8.6%	8.1%
Earnings Per Diluted Share	\$ 0.35	\$ 0.61

URBN sales for the second quarter declined by 17% to \$803 million. The decrease in sales was due in part to a Retail segment sales decline of 14% and a 51% decline in Wholesale segment sales.

Gross profit dollars decreased by 25% to \$238 million for the quarter, while gross profit rate declined 319 bps to 29.6%. The decline in gross profit rate was due to an increase in delivery and logistics expense due to the penetration of the direct to consumer channel, followed by store occupancy expense rate deleverage. The deleverage in store occupancy expense was due to store closures during the quarter as well as lower store sales productivity once stores reopened. While we are negotiating with landlords for rent concessions, we do not expect most of those negotiations to be completed and recorded until the second half of the year. On a positive note, merchandise markdowns were lower in the quarter while initial mark-up rate was flat vs. last year. Both the Urban Outfitters and Free People brands delivered record low markdown rates in the quarter. Lastly, due to disciplined inventory control and better than planned product performance we also reduced our inventory reserves by \$22 million in the quarter.

Selling general & administrative ('SG&A') expenses decreased by 29% to \$169 million while SG&A as a % of sales leveraged by 372 bps to 21%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management, overall expense control measures and the benefit of government relief packages. Digital marketing expenses grew during the quarter to support the strong digital sales and customer growth.

Operating income dollars decreased by 11% to \$69 million while operating income rate improved by 53bps to 8.6%. The decrease in dollars was due to lower sales in the quarter while the improvement in rate was due to SG&A leverage in the quarter.

The quarterly effective tax rate was 50% for the quarter. The increase in rate is due to the partial reversal of the tax benefit recorded in the first quarter based on the improved company performance in the second quarter.

Net Income for the quarter was \$34 million or \$0.35 per diluted share.

\*expressed as a percent of net sales



# Sales by Segment

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
<b>Total Sales</b>	<b>\$ 803.3</b>	<b>\$ 962.3</b>	<b>\$ (159.0)</b>	<b>-17%</b>
<b>Retail Segment</b>	<b>\$ 757.5</b>	<b>\$ 878.7</b>	<b>\$ (121.2)</b>	<b>-14%</b>
Anthropologie Group	294.3	392.4	(98.1)	-25%
Free People	139.0	125.1	13.9	11%
Urban Outfitters	322.6	354.1	(31.5)	-9%
Menus & Venues	1.6	7.1	(5.5)	-78%
<b>Retail Segment By Geography</b>				
North America	669.1	779.8	(110.7)	-14%
Europe and ROW	88.4	98.9	(10.5)	-11%
<b>Wholesale Segment</b>	<b>\$ 41.1</b>	<b>\$ 83.6</b>	<b>\$ (42.5)</b>	<b>-51%</b>
Anthropologie Group	0.8	1.9	(1.1)	-57%
Free People	39.0	80.8	(41.8)	-52%
Urban Outfitters	1.3	0.9	0.4	41%
<b>Subscription Segment</b>	<b>\$ 4.7</b>	<b>-</b>	<b>\$ 4.7</b>	<b>n/a</b>

Total Company or URBN sales for the second quarter decreased by 17% to \$803 million. URBN Retail segment sales declined 14% to \$757 million. The decrease in sales was driven by stores being closed for part of the quarter and lower store productivity once opened which was partially offset by a strong double-digit increase in the digital channel.

URBN Wholesale segment sales for the second quarter declined 51% to \$41 million. The decline in sales was primarily due to most of our wholesale partners having a meaningful portion of their businesses closed for a significant part of the quarter.

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
<b>Total Sales</b>	\$ 295.1	\$ 394.3	\$ (99.2)	-25%
<b>Retail Segment</b>	\$ 294.3	\$ 392.4	\$ (98.1)	-25%
Sales by Geography				
North America	281.4	376.1	(94.7)	-25%
Europe and ROW	12.9	16.3	(3.4)	-21%
<b>Wholesale Segment</b>	\$ 0.8	\$ 1.9	\$ (1.1)	-57%
North America	0.8	1.7	(0.9)	-52%
Europe and ROW	–	0.2	(0.2)	-100%

Total Anthropologie Group brand sales decreased by 25% to \$295 million.

The decline in Anthropologie 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 part the quarter and lower store productivity once opened which was only partially offset by a double digit increase in the digital channel. On a Retail segment 'comp' basis, home, beauty and Terrain product categories led the way while apparel, accessories and BHLDN were negative.



# Revenue Metrics

*free people*

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
<b>Total Sales</b>	<b>\$ 178.0</b>	<b>\$ 205.9</b>	<b>\$ (27.9)</b>	<b>-14%</b>
<b>Retail Segment</b>	<b>\$ 139.0</b>	<b>\$ 125.1</b>	<b>\$ 13.9</b>	<b>11%</b>
Sales by Geography				
North America	131.8	120.2	11.6	10%
Europe and ROW	7.2	4.9	2.3	48%
<b>Wholesale Segment</b>	<b>\$ 39.0</b>	<b>\$ 80.8</b>	<b>\$ (41.8)</b>	<b>-52%</b>
North America	36.9	76.2	(39.3)	-52%
Europe and ROW	2.1	4.6	(2.5)	-53%

Total Free People brand sales decreased by 14% to \$178 million for the quarter. This decrease was due to a 52% decline in Wholesale segment sales while Retail segment sales grew by an impressive 11%.

The growth in Retail segment sales was due to strong double-digit digital channel growth more than offsetting stores being closed for part of the quarter and lower store productivity once opened. On a Retail segment ‘comp’ basis all categories delivered growth with FP movement delivering exceptional growth in the quarter followed by beauty, intimates, apparel and accessories.

Wholesale segment sales declined by 52% due to most of Free People’s wholesale partners having a meaningful portion of their businesses closed for a significant part of the quarter.



# Revenue Metrics

## URBAN OUTFITTERS

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
<b>Total Sales</b>	\$ 323.9	\$ 355.0	\$ (31.1)	-9%
<b>Retail Segment</b>	\$ 322.6	\$ 354.1	\$ (31.5)	-9%
Sales by Geography				
North America	254.3	276.4	(22.1)	-8%
Europe and ROW	68.3	77.7	(9.4)	-12%
<b>Wholesale Segment</b>	\$ 1.3	\$ 0.9	\$ 0.4	41%
North America	0.9	0.4	0.5	117%
Europe and ROW	0.4	0.5	(0.1)	-28%

Total Urban Outfitters brand sales decreased by 9% to \$324 million for the quarter.

The decline in Urban Outfitters sales during the quarter primarily related to a 9% decline in Retail segment sales. The decline in Retail segment sales was due to stores being closed for part of the quarter and lower store productivity once opened which was partially offset by a strong double-digit increase in the digital channel. On a Retail segment 'comp' basis all product categories delivered growth except for beauty and women's accessories.





# Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
<b>Gross Profit* \$'s</b>	<b>\$ 238.0</b>	<b>\$ 315.9</b>	<b>\$ (77.9)</b>	<b>-25%</b>
<b>Gross Profit* %</b>	<b>29.6%</b>	<b>32.8%</b>		
<b>Retail Segment</b>				
<b>Gross Profit \$'s</b>	<b>\$ 222.1</b>	<b>\$ 294.4</b>	<b>\$ (72.3)</b>	<b>-25%</b>
<b>Gross Profit %</b>	<b>29.3%</b>	<b>33.5%</b>		
<b>Wholesale Segment**</b>				
<b>Gross Profit \$'s</b>	<b>\$ 17.0</b>	<b>\$ 23.0</b>	<b>\$ (6.0)</b>	<b>-26%</b>
<b>Gross Profit %</b>	<b>41.3%</b>	<b>27.5%</b>		
<b>Subscription Segment</b>				
<b>Gross Profit \$'s</b>	<b>\$ (1.1)</b>	<b>\$ (1.5)</b>	<b>\$ 0.4</b>	<b>-25%</b>

\*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 dollars decreased by 25% to \$238 million for the quarter, while gross profit rate declined 319 bps to 29.6%. The decline in gross profit rate was due to an increase in delivery and logistics expense due to the penetration of the direct to consumer channel, followed by store occupancy expense rate deleverage. The deleverage in store occupancy expense was due to store closures during the quarter as well as lower store sales productivity once store reopened. While we are negotiating with landlords for rent concessions, we do not expect most of those negotiations to be completed and recorded until the second half of this year. On a positive note, merchandise markdowns were lower in the quarter while initial mark-up rate was flat vs. last year. Both the Urban Outfitters and Free People brands delivered record low markdown rates in the quarter. Lastly, due to disciplined inventory control and better than planned product performance we also reduced our inventory reserves by \$22 million in the quarter.

Retail segment gross profit decreased 25% to \$222 million while the Retail segment gross profit rate declined 417bps to 29.3% for the quarter.

The decline in gross profit rate was due to an increase in delivery and logistics expense due to the penetration of the direct to consumer channel, followed by store occupancy expense rate deleverage. The deleverage in store occupancy expense was due to store closures during the quarter as well as lower store sales productivity once stores reopened. On a positive note, merchandise markdowns were lower in the quarter while initial mark-up was down slightly versus the prior year. Both the Urban Outfitters and Free People brands delivered record low markdown rates in the quarter. Lastly, due to disciplined inventory control and better than planned product performance we also reduced our inventory reserves by \$12 million in the quarter.

Wholesale segment gross profit decreased 26% to \$17 million while the Wholesale segment gross profit rate increased to 41.3%. The decline in gross profit dollars was due to the decline in sales during the quarter. The increase in gross profit rate is primarily due to an inventory reserve reversal of \$11 million due to improved sales trends and disciplined inventory control.

Subscription segment gross profit was a loss of \$1.1 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.



# SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	July 31, 2020	July 31, 2019	\$	%
SG&A* \$'s	\$ 168.6	\$ 237.8	\$ (69.2)	-29%
SG&A* %	21.0%	24.7%		

SG&A expenses decreased by 29% to \$169 million while SG&A as a % of sales leveraged by 372 bps to 21%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management, overall expense control measures and the benefit of government relief packages. Digital marketing expenses grew during the quarter to support the strong digital sales and customer 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	
	July 31, 2020	July 31, 2019	\$	%
<b>Operating Income \$'s</b>	\$ 69.4	\$ 78.1	\$ (8.7)	-11%
<b>Operating Income %</b>	8.6%	8.1%		
<b>Retail Segment</b>				
Operating Income \$'s	\$ 58.4	\$ 79.0	\$ (20.6)	-26%
Operating Income %	7.7%	9.0%		
<b>Wholesale Segment*</b>				
Operating Income \$'s	\$ 14.1	\$ 15.7	\$ (1.6)	-10%
Operating Income %	34.2%	18.7%		
<b>Subscription Segment</b>				
Operating Loss \$'s	\$ (4.6)	\$ (3.5)	\$ (1.1)	30%
<b>General Corporate Expenses \$'s</b>	\$ (1.5)	\$ 13.1	\$ (14.6)	-112%

Operating income dollars decreased by 11% to \$69 million while operating income rate improved by 53bps to 8.6%. The decrease in dollars was due to lower sales in the quarter while the improvement in rate was due to SG&A leverage in the quarter.

Retail segment operating income decreased by 26% or \$21 million to \$58 million for the quarter. The decline in operating income was primarily due to the decline in sales.

Wholesale segment operating income decreased by 10% or \$2 million to \$14 million. The decline in operating profit was primarily due to a decline in sales.

Subscription segment operating loss was \$5 million for the quarter.

General corporate expenses decreased by \$15 million primarily due to COVID-19 virus related government relief packages and lower bonus expense.

\* Net of intersegment elimination



# Income Statement Summary

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

Three Months Ended

	July 31, 2020	% of Net Sales	July 31, 2019	% of Net Sales
Net Sales	\$ 803.3	100%	\$ 962.3	100%
Cost of Sales	<u>565.3</u>	<u>70.4</u>	<u>646.4</u>	<u>67.2</u>
Gross Profit	238.0	29.6	315.9	32.8
Selling, General and Admin. Expenses	<u>168.6</u>	<u>21.0</u>	<u>237.8</u>	<u>24.7</u>
Income from Operations	69.4	8.6	78.1	8.1
Other (Loss) Income, Net	<u>(0.5)</u>	<u>—</u>	<u>3.5</u>	<u>0.4</u>
Income Before Income Taxes	68.9	8.6	81.6	8.5
Income Tax Expense	<u>34.5</u>	<u>4.3</u>	<u>21.3</u>	<u>2.2</u>
Net Income	\$ 34.4	4.3%	\$ 60.3	6.3%
Diluted Share Count	98.1		99.6	
Earnings Per Diluted Share	\$ 0.35		\$ 0.61	

The effective tax rate for the second quarter was 50% compared to 26% in the prior year quarter. The increase in rate is due to the partial reversal of the tax benefit recorded in the first quarter based on the improved company performance in the second quarter.

Net Income was \$34 million or \$0.35 cents per diluted share for the second quarter.



# Balance Sheet Summary

(\$ in millions)  
(unaudited)

	July 31, 2020	July 31, 2019
<b>Assets</b>		
Cash and Cash Equivalents	\$ 663	\$ 162
Marketable Securities	1	171
Accounts Receivable, Net	60	95
Inventory	352	440
Other Current Assets	195	132
<b>Total Current Assets</b>	<b>1,271</b>	<b>1,000</b>
Property and Equipment, Net	889	867
Operating Lease ROU Assets	1,135	1,086
Marketable Securities	9	79
Other Assets	121	106
<b>Total Assets</b>	<b>\$ 3,425</b>	<b>\$ 3,138</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts Payable	\$ 207	\$ 182
Current Operating Lease Liabilities	270	209
Other Current Liabilities	294	235
<b>Total Current Liabilities</b>	<b>771</b>	<b>626</b>
Non-Current Operating Lease Liabilities	1,102	1,091
Long-Term Debt	120	-
Deferred Rent and Other Liabilities	81	60
<b>Total Liabilities</b>	<b>2,074</b>	<b>1,777</b>
<b>Total Shareholders' Equity</b>	<b>1,351</b>	<b>1,361</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,425</b>	<b>\$ 3,138</b>

As of July 31, 2020, Inventory decreased 20% to \$352 million, driven by a 14% decrease in Retail segment inventory and a 53% reduction in Wholesale segment inventory.

As of July 31, 2020, cash and marketable securities totaled \$673 million with \$120 million drawn down on our \$350 million asset backed line of credit facility. The company paid down \$100 million of previously drawn credit facility funds during the quarter.

# URBN Inventory Data

(\$ in millions)  
(unaudited)

	July 31, 2020	July 31, 2019	Variance	
			\$	%
<b>URBN Inventory</b>	<b>\$ 351.8</b>	<b>\$ 440.1</b>	<b>\$ (88.3)</b>	<b>-20%</b>
<b>Retail Segment by Brand</b>	<b>\$ 321.9</b>	<b>\$ 376.1</b>	<b>\$ (54.2)</b>	<b>-14%</b>
Anthropologie Group	142.4	172.2	(29.8)	-17%
Free People	51.0	50.1	0.9	2%
Urban Outfitters	128.5	153.8	(25.3)	-16%
<b>Wholesale Segment by Brand</b>	<b>\$ 29.9</b>	<b>\$ 64.0</b>	<b>\$ (34.1)</b>	<b>-53%</b>
Anthropologie Group	1.4	5.7	(4.3)	-76%
Free People	26.5	56.2	(29.7)	-53%
Urban Outfitters	2.0	2.1	(0.1)	n/a
<b>Subscription Segment Rental Product, Net*</b>	<b>\$ 15.8</b>	<b>\$ 2.9</b>	<b>\$ 12.9</b>	<b>441%</b>

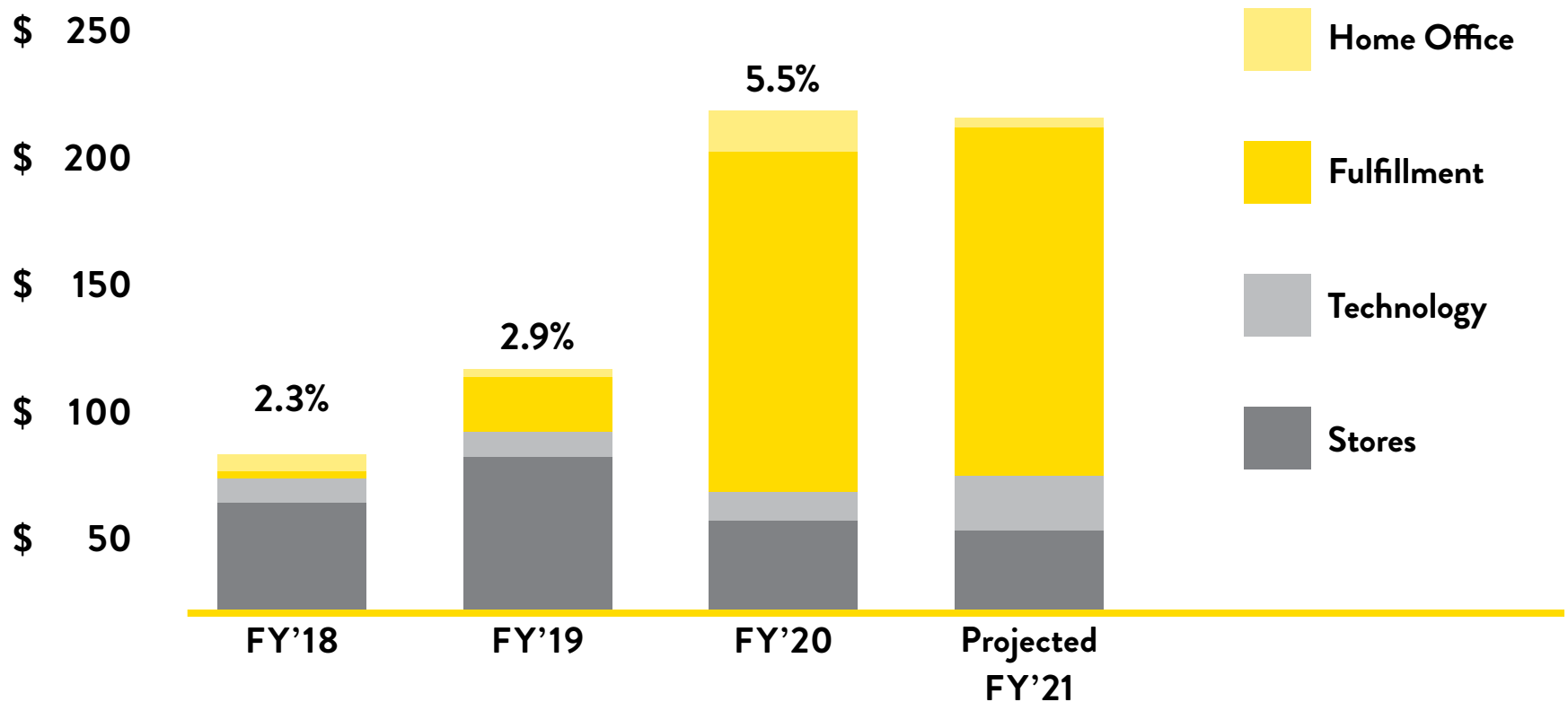
\*Rental Product, net of amortization, is included in Other Assets



# Capital Spending

(\$ in millions)  
(unaudited)

## Net Capex % of Net Sales



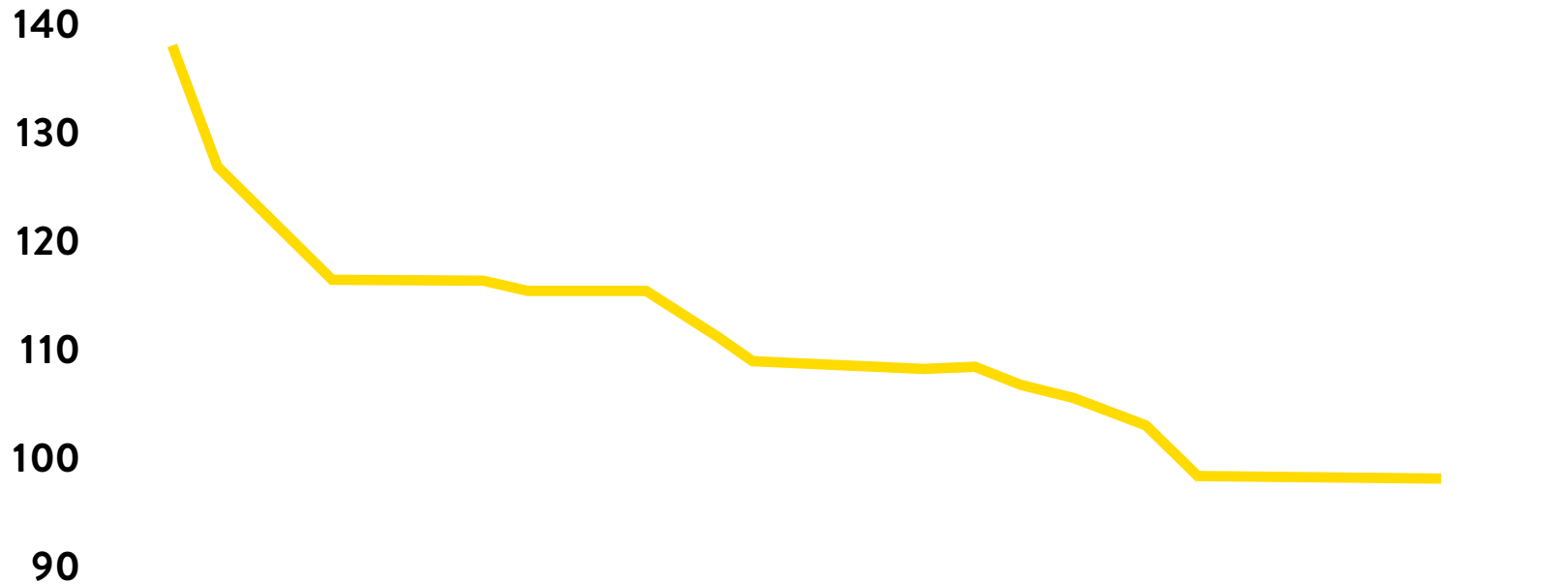
During the second quarter, capital expenditures were \$29 million while depreciation & amortization was \$25 million.



# Shares Outstanding

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

## Ending Shares Outstanding



	FY'16	FY'17	FY'18	FY'19	FY'20	Q1 Q2 FY'21
<b>Shares Repurchased</b>						
Number of Shares	15	1.3	8.1	3.5	8.1	0.5
Total Cost	\$ 465	\$ 46	\$ 157	\$ 121	\$ 217	\$ 7

The Company did not repurchase any shares during the quarter. The Company has authorization to repurchase approximately 26 million additional shares remaining granted by the Board of Directors resolution's on August 22, 2017 and June 4, 2019. Our weighted average diluted share count for the quarter was 98.1 million shares.





# Global Retail Stores Summary

	Q1–Q2 FY'21				Projected Q3–Q4 FY'21		
	Open as of January 31, 2020	Openings	Closings	Open as of July 31, 2020	Projected Openings	Projected Closings	Projected Open as of January 31, 2021
Anthropologie Group NA	211	1	–	212	3	2	213
Anthropologie Group EU	20	1	–	21	1	–	22
<b>Total Anthropologie Group</b>	<b>231</b>	<b>2</b>	<b>–</b>	<b>233</b>	<b>4</b>	<b>2</b>	<b>235</b>
Free People NA	140	–	1	139	5	–	144
Free People EU	4	–	–	4	2	–	6
<b>Total Free People</b>	<b>144</b>	<b>–</b>	<b>1</b>	<b>143</b>	<b>7</b>	<b>–</b>	<b>150</b>
Urban Outfitters NA	194	2	3	193	3	6	190
Urban Outfitters EU	54	1	–	55	2	–	57
<b>Total Urban Outfitters</b>	<b>248</b>	<b>3</b>	<b>3</b>	<b>248</b>	<b>5</b>	<b>6</b>	<b>247</b>
Menus & Venues	11	–	–	11	–	–	11
<b>Total Company-Owned Stores</b>	<b>634</b>	<b>5</b>	<b>4</b>	<b>635</b>	<b>16</b>	<b>8</b>	<b>643</b>
Franchisee-Owned Stores	7	–	4	3	–	2	1
<b>Total URBN</b>	<b>641</b>	<b>5</b>	<b>8</b>	<b>638</b>	<b>16</b>	<b>10</b>	<b>644</b>



# 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
	Q2	Store Count	233	143	248	11	635
		Selling SF	1,793	321	2,212	n/a	4,326

\*excludes franchisee-owned stores