URBAN OUTFITTERS, INC.

Fourth Quarter, FY'12 Conference Call
March 12, 2012

Participants

Dick Hayne, Chief Executive Officer
David McCreight, CEO, Anthropologie Group
Margaret Hayne, President, Free People Brand
Ted Marlow, CEO, Urban Outfitters Group
Wendy B. McDevitt, President, Terrain
Eric Artz, Chief Financial Officer
Glen A. Bodzy, General Counsel
Freeman Zausner, Chief Operating Officer
Barbara Rozsas, Chief Sourcing Officer
Calvin Hollinger, Chief Information and Logistics Officer
Frank Conforti, Chief Accounting Officer
David Ziel, Chief Development Officer
Oona McCullough, Director of Investor Relations

Oona

Good afternoon, and welcome to the URBN fourth quarter fiscal 2012 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three and twelve month periods ending January 31, 2012.

The following discussions may include forward-looking statements. Please note that actual results may differ materially from those statements. Additional information concerning factors that could cause actual results to differ materially from projected results is contained in the Company's filings with the Securities and Exchange Commission.

We will begin today's call with Eric Artz, our Chief Financial Officer, who will provide financial highlights for the fourth quarter. Richard Hayne, our Chief Executive Officer, will then comment on our broader strategic initiatives, followed by our three Group leaders, David McCreight, Meg Hayne, and Ted Marlow, each of whom will provide commentary on their businesses. Following that, we will be pleased to address your questions.

As usual, the text of today's conference call, along with detailed management commentary, will be posted to our corporate website at www.urbanoutfittersinc.com. I'll now turn the call over to Eric.

Eric

Thank you, Oona.

Let's begin with a summary of our Fourth Quarter Fiscal 2012 performance versus the comparable quarter last year.

Net sales for the quarter increased 9% to $731 million. Non-comparable sales drove the increase, contributing $73 million to the consolidated net sales increase, including 21 new stores opened during the quarter.

Comparable Retail Segment sales, which include our Direct-to-Consumer channel, increased 2%, including increases of 1%, 9% and 3% at Anthropologie, Free People and Urban Outfitters, respectively. The total Company comparable store net sales decline of 1% was driven by a 5.2% decrease in average unit selling prices, a 1.5% increase in the average number of units per transaction and a 2.5% increase in total transactions.

Direct-to-Consumer comparable net sales increased 14% to $167 million with a penetration to total net sales accelerating 110 basis points to 23%. These results were largely driven by a 34% increase in website traffic to over 47 million visits.

European sales increased 33% due to the addition of 6 new Urban Outfitters stores and comparable Retail Segment sales increases of 11% and 28% at Urban Outfitters Europe and Anthropologie Europe, respectively.

Gross profit in the quarter decreased 17% to $220 million. This decline was primarily due to increased markdowns to clear slow moving women's apparel inventory.

Total selling, general and administrative expenses for the quarter, expressed as a percentage of sales, decreased by 37 basis points to 21.3%. This improvement was due to a one-time non-recurring $6 million net benefit primarily related to equity compensation expense reversals. This benefit was partially offset by deleveraging of direct store controllable expenses driven by the negative comparable store net sales.

Operating income was $64.5 million, or an operating margin of 8.8%.

Net income was $39 million or $.27 per diluted share.

Turning to the balance sheet, ending total inventories increased $21 million to $250 million, a 9% increase over the prior year period. The growth in total inventories is primarily due to the acquisition of inventory to stock new stores, our Direct-to-Consumer channel growth and the launch of our BHLDN brand. Total comparable retail segment inventories at cost (which includes our Direct-to-Consumer channel) increased by 2% while total comparable store inventory at cost decreased by 3%. Finally, we ended the quarter with $362 million in cash and marketable securities.

As we look forward to Fiscal 2013, it may be helpful for you to consider the following:

> First, we plan to open 55-60 new stores with 13 stores planned to open in the first quarter. By brand, Urban Outfitters is planning 23 new stores globally, Free People 16 stores, Anthropologie 14 stores and 1 new store each for Terrain and BHLDN.
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> Second, we are focused on managing product costs as effectively in Fiscal 2013 as we did this past year. Therefore, our gross margin improvement for the year will depend upon the improvement in our product content and ultimately lower markdown rates. Clearly our comparisons ease as we progress through the year, so we are planning for higher markdown rates, comparatively, as we begin the year.
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> Third, we continue to focus on effectively managing our selling, general and administrative expenses. Additionally, we will continue to invest in long term growth and are, therefore, planning for a mid-teens increase in SG&A to start the year, moving to high teen's increases as we progress throughout the year. Increased spending in Fiscal 2013 includes marketing and customer acquisition investments to drive additional Direct-to-Consumer growth, as well as a new domestic fulfillment center and further investments in technology.
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> Fourth, we are planning for fiscal 2013 capital expenditures of $190-$210 million driven primarily by new stores, the expansion of our home office, and our new fulfillment center.
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> Finally, our Fiscal 2013 annual effective tax rate is planned to be approximately 36.5%.

As a reminder, the forgoing does not constitute a forecast, but is simply a reflection of our current views.

So with that as a financial backdrop, I'd like to introduce our Chairman and CEO, Dick Hayne.

Dick

Thank you, Eric.

Good afternoon everyone. For those of you who don't know me, I co-founded Urban Outfitters 42 years ago and have been actively involved ever since. When I stepped down as CEO in 2006, I remained on as Chairman and helped to set our strategic agenda. I'm now back as CEO and excited by the opportunity to lead and grow this Company once again. I have a deep commitment to the Company, its brands, the employees and the stakeholders.

I think the new conference call format is worth a brief discussion because I believe it is symbolic of our company-wide culture. As Oona described it, the new format is a team effort. On a quarterly basis you will hear not just from Eric and me, but also from our brand leaders. You will hear the merchants describe their businesses, Eric review the financial results and Freeman present progress on our operating initiatives. I will talk about strategic vision and global initiatives. You will then be able to ask all of us questions. The team you will hear from is the primary reason I feel so optimistic about the Company's future. I'm delighted that we now have a full complement of entrepreneurial brand leaders and seasoned executives.

So let me describe the many opportunities I envision for our Company. At URBN, we see ourselves as customer specialists – a collection of brands – each one specializing in one particular customer group, a particular lifestyle or life stage. We offer her things she wants in environments that inspire her. We talk to her and listen to her ideas and opinions. In short, we have a relationship with our customer and that relationship translates into sales. Each brand leader is focused on ensuring that the brand relationship with its customer is strong and differentiated. To accomplish this differentiation, we plan to offer her more unique product and talk with her in new and exciting ways. All of this implies a greater emphasis on, and investment in, design, marketing and technology.

Our goal is to increase the number of relationships each brand has, and mine the existing relationships more effectively. To grow the number of customers we plan to do the following:

- grow the number stores in North America and Europe,
- launch a retail presence in Asia,
- increase our on-line and mobile marketing efforts,
- expand our wholesale distribution into Europe and Asia, and
- significantly grow the Direct-to-Consumer business around the globe.

To make the existing relationships more meaningful we intend to:

- improve our product execution,
- use our existing customer analytics to market more effectively,
- introduce new technologies into the shopping experience,
- expand our product offerings in existing categories, and
- add new categories either through internal development or through acquisition.

Each brand has an abundance of opportunities to grow. We've identified and prioritized those opportunities so our strategy is clear. We have the financial resources and now we have the leadership talent to develop these opportunities. The team is committed to producing results that fit within our historic rate of growth and I am confident that we will do so.

This is a great time to introduce the brand leaders - the folks who are going to create that growth. First, I'll call on David McCreight, the CEO of the Anthropologie Group.

David

Thank you, Dick. Good afternoon everyone. I am honored to be with the URBN leadership team today representing the Anthropologie Group. I have spent my first three months with the team touring stores, speaking with customers and long tenured team members, learning about our customer, culture, assortment, team, processes, resources, and business model.

While it has been a trying year for Anthropologie, I am very optimistic about our ability to once again 'surprise and delight' our customer. We have a great brand with a deep relationship with its customer, motivated team members and a compelling business model, all of which fuel my optimism for the future. There remains a great deal of expansion ahead within our existing customer segment, existing distribution channels and existing geographies. Our recent issues have been largely self-inflicted. Amidst a great deal of organizational change, we drifted away from our aesthetic positioning and the merchandising disciplines that built our strong and unique relationship with our customer. We will recapture those essential qualities.

This year, world-wide, we plan on strengthening our multi-channel customer file, improving the productivity of our 4-walls, expanding retail square footage in the high single digits; and turbo charging our Direct-to-Consumer investments. But most importantly, we expect to make progress throughout the year in regaining momentum in the design and merchandising of our product. We will move the ratio of full-price and markdown sales closer to historic levels, and focus on driving full-price brand comp revenue growth. The home business remains solid, and we have recently seen signs of improvement in some apparel categories like knits, dresses, and casual bottoms. However, it will take time for our very new design and merchandising teams to align around the customer and learn our merchandising approach in order to deliver an offering that is both inspiring and financially sound.

I look forward to speaking with you in the future to update you on our progress.

I will now turn over the call to Meg Hayne, Global Brand President for Free People.

Meg

Thank you, David. Hi. I am excited to speak to you about Free People.

We have been focused on building our brand through talent development, compelling product and innovative marketing.

The culture here in Building 25 is unique. We are proud of the team we've built through specific recruiting efforts and, more importantly, internal promotions. For instance, all of my directors have been with the company between 10 and 25 years. They continue to expand the boundaries of what we can do.

At Free People we love our customer – we understand her and cater to her desire for something special. With our attention to fabrics, embellishments, details and silhouette, we strive to make her happy.

Our marketing efforts have seen a significant increase over the year due to our focus on social media, customer interaction and loyalty. We are very excited by the possibilities in this area; you can expect to see new ideas going forward.

We had a strong quarter and year across each of our channels.

Our wholesale business grew double digits driven by our strategy to align our product assortments, merchandising techniques and marketing efforts with our Direct-to-Consumer model. We finished the year with our strongest operating income margin in 5 years.

Direct-to-Consumer continues to be our fastest growing business fueled by our expanded online product offering. It is the best way we can communicate our message to our customer and remains the driving force behind both our product and marketing.

We successfully opened 20 stores – four of those in new states and the most ever in a single year. We have an even array of mall, lifestyle and street stores.

For spring and fiscal 2013, our priorities continue to be talent, product and marketing.

Our retail team is working diligently to distort our store assortments by addressing different climates as well as regional fashion trends. As of this quarter we are fully staffed in operations, styling and visual roles, while training new management in the field.

Our momentum has continued into the spring season. Direct and wholesale channels are off to a strong start.

I am happy to turn the call over to Ted. I am sure you are all looking forward to hearing from him again.

Ted

Thank you, Meg.

It is great to be back at Urban Outfitters and have the opportunity to be part of the exciting growth we envision for the Urban Outfitters brand. We believe an opportunity exists in our core businesses to improve top line performance along with margin improvement. Our sights are set on course correcting our shortfalls with improved content, inventory quantification and creative execution.

Thus our mission at the moment is to improve the performance of our core women's business. In general our men's and home businesses have performed well in North America and Europe, while our women's businesses have underperformed. I view our shortfall in women's as quite fixable. First, we need more balance across product attributes to reach a broader spectrum of our customers. Further, while certain businesses within women's have performed well, other key categories have underperformed in relation to their historical contribution. And finally, opportunities in underdeveloped categories need to be further leveraged, while trending categories must be distorted.

On a more positive note, our brand finished fourth quarter with clean inventories, thereby enabling us to chase into trends that are currently working. Our Direct-to-Consumer growth continues to be strong in both North America and Europe. Our European business, overall, performed well despite the macro-economic headwinds facing the region. This past year we opened 8 stores in the European market and finished the fourth quarter, and full year, with positive comparable retail segment increases. I just returned from a quick trip to London to meet with our European team. I can assure you that they are focused on building pan-European strength in design, merchandising and marketing to deliver on the broader market opportunity, be that through physical or digital retail environments.

In closing, I want to re-emphasize that the core talent of the Urban Outfitters brand is excited about the opportunity we feel is in front of our brand. We have a demonstrated track record of delivering on the promise of our brand, both qualitatively through customer experience or quantitatively through growth and financial execution. I look forward to once again being part of our story and speaking with you about our progress and the realization of our goals.

I will now turn the call back over to Dick for closing comments.

Dick

Thanks Ted. And by the way, it's great to have you back in the business.

To re-iterate my earlier comments, our goal is to grow revenue at a pace significantly greater than our industry average and more commensurate with our historic average. We have all the key ingredients in place: strong brands that resonate with the existing customer, the strategy to expand the reach of each brand, the capital to support the growth and the leadership to direct it. I am confident that given the continued hard work and dedication of our talented employee community we will achieve our growth goals.

I thank our employees and I also thank our shareholders for their continued support. At this time, I invite your questions. Please remember that we limit each caller to one question.