

Urban Outfitters, Inc.

FY'21 Q4 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2021 fourth quarter commentary ahead of our earnings call scheduled for March 2nd at 5:30pm.

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.



Important Information Regarding Non-GAAP Financial Measures

In addition to evaluating the financial condition and results of our operations in accordance with U.S. generally accepted accounting principles (“GAAP”), from time to time our management evaluates and analyzes results and any impact on the Company of certain events outside of normal, or “core,” business and operations, by considering adjusted financial measures not prepared in accordance with GAAP. Examples of items that we consider non-core include store and goodwill impairment charges and income tax expense related to valuation allowances attributable to net losses of certain foreign operations. In order to improve the transparency of our disclosures, provide a meaningful presentation of results from our core business operations and improve period-over-period comparability, we have included certain adjusted financial measures that exclude the impact of these non-core business items.

We believe these adjusted financial measures are important indicators of our recurring results of operations because they exclude items that may not be indicative of, or are unrelated to, our underlying results of operations and provide a useful baseline for analyzing trends in our underlying business. Management uses adjusted financial measures for planning, forecasting and evaluating business and financial performance.

Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the Company’s financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in non-GAAP financial measures may be significant items that could impact the Company’s financial position, results of operations or cash flows and should therefore be considered in assessing the Company’s actual and future financial condition and performance. These adjusted financial measures are not consistent with GAAP and may not be calculated the same as similarly titled measures used by other companies.



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Key Financial Highlights

	Three Months Ended	
	January 31, 2021	January 31, 2020
URBN Net Sales Change	-6.9%	3.6%
Adjusted Gross Profit ^{*(a)}	26.7%	29.8%
Selling, General and Admin. Expenses*	23.4%	24.1%
Adjusted Income from Operations ^{*(a)}	3.3%	5.7%
Adjusted Earnings Per Diluted Share ^(a)	\$ 0.30	\$ 0.50

URBN sales for the fourth quarter declined by 7% to \$1.09 billion. The decrease in sales was due to a 7% decline in Retail segment sales and a 7% decline in Wholesale segment sales. Retail segment sales comp also declined 7%.

Adjusted gross profit dollars decreased by 17% to \$290 million for the quarter, while gross profit rate decreased 314 bps to 26.7%. The decrease in adjusted gross profit rate was primarily due to the increase in delivery and logistics expenses due to the penetration of the digital channel as well as increased carrier surcharges. This was partially offset by lower merchandise markdowns in the Retail segment driven by the Urban Outfitters and Free People brands, benefits associated with negotiated rent concessions with landlords and European government assistance programs.

Selling general & administrative ('SG&A') expenses decreased by 10% to \$254 million while SG&A as a % of sales leveraged by 69 bps to 23.4%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management and overall expense control. Digital marketing expenses grew during the quarter to support the strong digital sales and customer growth.

Adjusted operating income dollars decreased by 47% to \$36 million while adjusted operating income rate declined by 245 bps to 3.3%. The decrease in dollars was due to the decline in sales and the adjusted gross profit rate in the quarter.

Adjusted net income for the quarter was \$29 million or \$0.30 per diluted share.

^{*}expressed as a percent of net sales
^(a) refer to adjustments on pages 13 and 14



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
Total Sales	\$1,088.4	\$ 1,169.6	\$ (81.2)	-7%
Retail Segment	\$ 1,013.8	\$1,090.5	\$ (76.7)	-7%
Anthropologie Group	431.4	488.8	(57.4)	-12%
Free People	155.1	146.0	9.1	6%
Urban Outfitters	424.3	448.9	(24.6)	-5%
Menus & Venues	3.0	6.8	(3.8)	-56%
Retail Segment By Geography				
North America	894.5	960.6	(66.1)	-7%
Europe and ROW	119.3	129.9	(10.6)	-8%
Wholesale Segment	\$ 67.9	\$ 73.1	\$ (5.2)	-7%
Anthropologie Group	–	2.3	(2.3)	-100%
Free People	64.2	69.8	(5.6)	-8%
Urban Outfitters	3.7	1.0	2.7	269%
Subscription Segment	\$ 6.7	6.0	\$ 0.7	11%

Total Company or URBN sales for the fourth quarter decreased by 7% to \$1.09 billion. URBN Retail segment sales decreased 7% to \$1.01 billion. Retail segment sales decreased due to negative retail store net sales as stronger conversion rates could not offset the reduced store traffic caused by the coronavirus pandemic and related occupancy restrictions. Lower store net sales were partially offset by strong double-digit growth in digital channel sales due to strong session and conversion growth.

URBN Wholesale segment sales for the fourth quarter declined 7% to \$68 million. The decline in sales was primarily due to most of our wholesale partners having reduced customer demand during the quarter.

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
	Total Sales	\$ 431.4	\$ 491.1	\$(59.7)
Retail Segment	\$ 431.4	\$ 488.8	\$(57.4)	-12%
Sales by Geography				
North America	411.4	465.5	(54.1)	-12%
Europe and ROW	20.0	23.3	(3.3)	-14%
Wholesale Segment	\$ –	\$ 2.3	\$(2.3)	-100%
North America	–	2.1	(2.1)	-100%
Europe and ROW	–	0.2	(0.2)	-100%

Total Anthropologie Group brand sales decreased by 12% to \$431 million.

The decline in Anthropologie sales during the quarter primarily related to a 12% decline in Retail segment sales. The decline in Retail segment sales was driven by negative retail store net sales as stronger conversion rates could not offset the reduced store traffic caused by the coronavirus pandemic and related occupancy restrictions. Lower store net sales were partially offset by a strong double-digit increase in the digital channel due to strong session and conversion growth. By product category, home and Terrain led the way while apparel, accessories, beauty and BHLDN were negative.



Revenue Metrics



(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
Total Sales	\$ 219.3	\$ 215.8	\$ 3.5	2%
Retail Segment	\$ 155.1	\$ 146.0	\$ 9.1	6%
Sales by Geography				
North America	149.8	141.1	8.7	6%
Europe and ROW	5.3	4.9	0.4	9%
Wholesale Segment	\$ 64.2	\$ 69.8	\$ (5.6)	-8%
North America	62.0	66.2	(4.2)	-6%
Europe and ROW	2.2	3.6	(1.4)	-39%

Total Free People brand sales increased by 2% to \$219 million for the quarter. This increase was due to an increase in Retail segment sales of 6%, which was partially offset by an 8% decline in Wholesale segment sales.

The growth in Retail segment sales was driven by strong double-digit digital channel growth due to strong session and conversion growth more than offsetting negative retail store net sales due to reduced store traffic. By product category, all categories delivered growth with movement delivering exceptional growth in the quarter followed by beauty, intimates, accessories and apparel.

Wholesale segment sales declined by 8% due to most of Free People's wholesale partners having reduced customer demand during the quarter.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
Total Sales	\$ 428.0	\$ 449.9	\$(21.9)	-5%
Retail Segment	\$ 424.3	\$ 448.9	\$(24.6)	-5%
Sales by Geography				
North America	330.3	347.2	(16.9)	-5%
Europe and ROW	94.0	101.7	(7.7)	-8%
Wholesale Segment	\$ 3.7	\$ 1.0	\$ 2.7	269%
North America	2.6	0.7	1.9	268%
Europe and ROW	1.1	0.3	0.8	271%

Total Urban Outfitters brand sales decreased by 5% to \$428 million for the quarter.

The decrease in Urban Outfitters sales during the quarter was primarily driven by a 5% decrease in Retail segment sales. The decline in Retail segment sales was driven by negative retail store net sales as stronger conversion rates could not offset the reduced store traffic caused by the coronavirus pandemic and related occupancy restrictions. Lower store net sales were partially offset by a strong double-digit increase in the digital channel due to strong session and conversion growth. By product category, home led the way while most of the other product categories declined.



Adjusted Gross Profit by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
Gross Profit* \$'s	\$ 289.1	\$ 333.8	\$ (44.7)	-13%
Adjusted Gross Profit*^(a) \$'s	\$ 290.1	\$ 348.4	\$ (58.3)	-17%
Adjusted Gross Profit*^(a) %	26.7%	29.8%		
Retail Segment				
Gross Profit \$'s	\$ 275.9	\$ 328.9	\$ (53.0)	-16%
Adjusted Gross Profit ^(a) \$'s	\$ 276.9	\$ 343.5	\$ (66.6)	-19%
Adjusted Gross Profit ^(a) %	27.3%	31.5%		
Wholesale Segment^(b)				
Gross Profit \$'s	\$ 13.2	\$ 7.1	\$ 6.1	86%
Gross Profit %	19.4%	9.7%		
Subscription Segment				
Gross Profit \$'s	\$ 0.0	\$ (2.2)	\$ 2.2	n/a

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

(a) Adjusted for store impairment charges of \$1.0 million in the current quarter and \$14.6 million in the prior quarter, all related to the Retail Segment. Refer to adjustments on pages 13 and 14

(b) Net of intersegment elimination

Adjusted gross profit dollars decreased by 17% to \$290 million for the quarter, while gross profit rate decreased 314 bps to 26.7%.

The decrease in adjusted gross profit rate was primarily due to the increase in delivery and logistics expenses due to the penetration of the digital channel as well as increased carrier surcharges. This was partially offset by lower merchandise markdowns in the Retail segment driven by the Urban Outfitters and Free People brands, benefits associated with negotiated rent concessions with landlords and European government assistance programs.

Retail segment adjusted gross profit decreased 19% to \$277 million while the Retail segment adjusted gross profit rate declined 419 bps to 27.3% for the quarter. The decrease in adjusted gross profit rate was primarily due to the increased penetration of the digital channel, carrier surcharges and increased expedited shipments, as well as a deleverage in store occupancy expense due to negative store net sales. These were partially offset by lower merchandise markdowns driven by the Urban Outfitters and Free People brands and benefits associated with negotiated rent concessions with landlords and European government assistance programs.

Wholesale segment gross profit increased 86% to \$13 million while the Wholesale segment gross profit rate increased to 19.4%. The increase in gross profit dollars and gross profit rate was primarily due to lower markdown allowances given to department stores in North America, which more than offset the decline in sales.

Subscription segment gross profit was flat for the quarter. 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	
	January 31, 2021	January 31, 2020	\$	%
SG&A* \$'s	\$ 254.3	\$ 281.3	\$ (27.0)	-10%
SG&A* %	23.4%	24.1%		

Selling general & administrative ('SG&A') expenses decreased by 10% to \$254 million while SG&A as a % of sales leveraged by 69 bps to 23.4%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management and overall expense control. 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



Adjusted Operating Income by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	January 31, 2021	January 31, 2020	\$	%
Operating Income \$'s	\$ 34.8	\$ 38.6	\$ (3.8)	-10%
Adjusted Operating Income^(a) \$'s	\$ 35.8	\$ 67.1	\$ (31.3)	-47%
Adjusted Operating Income^(a) %	3.3%	5.7%		
Retail Segment				
Operating Income \$'s	\$ 43.5	\$ 59.2	\$ (15.7)	-26%
Adjusted Operating Income ^(a) \$'s	\$ 44.5	\$ 87.7	\$ (43.2)	-49%
Adjusted Operating Income ^(a) %	4.4%	8.0%		
Wholesale Segment^(b)				
Operating Income (Loss) \$'s	\$ 6.2	\$ (0.3)	\$ 6.5	n/a
Operating Income (Loss) %	9.2%	-0.4%		
Subscription Segment				
Operating Loss \$'s	\$ (3.8)	\$ (7.7)	\$ 3.9	51%
General Corporate				
Expenses \$'s	\$ 11.1	\$ 12.6	\$ (1.5)	-11%

(a) Adjusted for store impairment charges of \$1.0 million in the current quarter related to the Retail Segment. Adjusted for store and goodwill impairment charges of \$14.6 million and \$13.9 million, respectively, in the prior quarter, all related to the Retail Segment. Refer to adjustments on pages 13 and 14

(b) Net of intersegment elimination

Adjusted operating income dollars decreased by 47% to \$36 million while adjusted operating income rate declined by 245 bps to 3.3%. The decrease in dollars was due to the decline in sales and the adjusted gross profit rate in the quarter.

Retail segment adjusted operating income decreased by 49% or \$43 million to \$44 million for the quarter. The decrease in adjusted operating income was primarily due to lower adjusted gross profit margin.

Wholesale segment operating income was \$6 million compared to an operating loss of \$0.3 million in the prior year. The increase in operating profit was due to the increase in gross profit dollars and overall expense control measures.

Subscription segment operating loss was \$4 million for the quarter.

General corporate expenses decreased by \$1 million for the quarter.



Income Statement Summary

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

Three Months Ended January 31, 2021

	As Reported	% of Net Sales	Total Adjustments	Adjusted	% of Net Sales
Net Sales	\$1,088.4	100 %	\$ -	\$1,088.4	100 %
Cost of Sales (excluding Store Impairment)	798.3	73.3	-	798.3	73.3
Store Impairment ^(a)	1.0	0.1	(1.0)	-	-
Gross Profit	289.1	26.6	1.0	290.1	26.7
Selling, General and Admin. Expenses	254.3	23.4	-	254.3	23.4
Income from Operations	34.8	3.2	1.0	35.8	3.3
Other Income, Net	0.8	0.1	-	0.8	0.1
Income Before Income Taxes	35.6	3.3	1.0	36.6	3.4
Income Tax Expense ^(b)	7.0	0.7	0.3	7.3	0.7
Net Income	\$ 28.6	2.6 %	\$ 0.7	\$ 29.3	2.7 %
Diluted Share Count	99.1			99.1	
EPS (Diluted)	\$ 0.29			\$ 0.30	

The adjusted effective tax rate for the fourth quarter was 20% compared to 28% in the prior year quarter. The change in the effective tax rate was primarily due to the ratio of foreign taxable losses to global taxable profits.

Adjusted net income was \$29 million or \$0.30 cents per diluted share for the fourth quarter.

(a) Adjusted for store impairment charges related to 3 retail locations

(b) Adjusted for income tax impact of the adjustments noted in (a)



Income Statement Summary

Three Months Ended January 31, 2020

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

	As Reported	% of Net Sales	Total Adjustments	Adjusted	% of Net Sales
Net Sales	\$ 1,169.6	100 %	\$ -	\$ 1,169.6	100 %
Cost of Sales (excluding Store Impairment)	821.2	70.2	-	821.2	70.2
Store Impairment ^(a)	14.6	1.3	(14.6)	-	-
Gross Profit	333.8	28.5	14.6	348.4	29.8
Selling, General and Admin. Expenses	281.3	24.1	-	281.3	24.1
Goodwill Impairment ^(b)	13.9	1.1	(13.9)	-	-
Income from Operations	38.6	3.3	28.5	67.1	5.7
Other Income, Net	1.0	0.1	-	1.0	0.1
Income Before Income Taxes	39.6	3.4	28.5	68.1	5.8
Income Tax Expense ^(c)	20.1	1.7	(1.1)	19.0	1.6
Net Income	<u>\$ 19.5</u>	<u>1.7%</u>	<u>\$ 29.6</u>	<u>\$ 49.1</u>	<u>4.2%</u>
Diluted Share Count	98.9			98.9	
EPS (Diluted)	\$ 0.20			\$ 0.50	

(a) Adjusted for store impairment charges related to 8 retail locations

(b) Adjusted for goodwill impairment charge related to a previous Menu & Venues acquisition

(c) Adjusted for: (i) the income tax expense related to valuation allowances attributable to net losses of certain foreign operations; and (ii) the income tax impact of the adjustments noted in (a) and (b)



Balance Sheet Summary

(\$ in millions)
(unaudited)

	January 31, 2021	January 31, 2020
Assets		
Cash and Cash Equivalents	\$ 396	\$ 222
Marketable Securities	175	211
Accounts Receivable, Net	90	88
Inventory	390	410
Other Current Assets	172	122
Total Current Assets	1,223	1,053
Property and Equipment, Net	967	890
Operating Lease ROU Assets	1,115	1,171
Marketable Securities	124	97
Other Assets	117	105
Total Assets	\$ 3,546	\$ 3,316
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 237	\$ 168
Current Operating Lease Liabilities	255	222
Other Current Liabilities	414	249
Total Current Liabilities	906	639
Non-Current Operating Lease Liabilities	1,074	1,137
Long-Term Debt	-	-
Deferred Rent and Other Liabilities	89	85
Total Liabilities	2,069	1,861
Total Shareholders' Equity	1,477	1,455
Total Liabilities and Shareholders' Equity	\$ 3,546	\$ 3,316

As of January 31, 2021, Inventory decreased 5% to \$390 million driven by a 34% reduction in Wholesale segment inventory. Retail segment inventory was flat as a 5% decline in Retail segment comp inventory was offset by an increase in in-transit inventory due to global transportation delays.

As of January 31, 2021, cash and marketable securities totaled \$694 million with \$0 drawn down on our \$350 million asset backed line of credit facility.

URBN Inventory Data

(\$ in millions)
(unaudited)

	January 31, 2021	January 31, 2020	Variance	
			\$	%
URBN Inventory	\$ 389.6	\$ 409.5	\$ (19.9)	-5%
Retail Segment by Brand	\$ 348.8	\$ 347.8	\$ 1.0	flat
Anthropologie Group	153.6	160.7	(7.1)	-4%
Free People	59.9	51.8	8.1	15%
Urban Outfitters	135.3	135.3	0.0	flat
Wholesale Segment by Brand	\$ 40.8	\$ 61.7	\$ (20.9)	-34%
Anthropologie Group	0.5	5.8	(5.3)	-91%
Free People	35.5	53.6	(18.1)	-34%
Urban Outfitters	4.8	2.3	2.5	114%
Subscription Segment Rental Product, Net*	\$ 11.9	\$ 16.4	\$ (4.5)	-28%

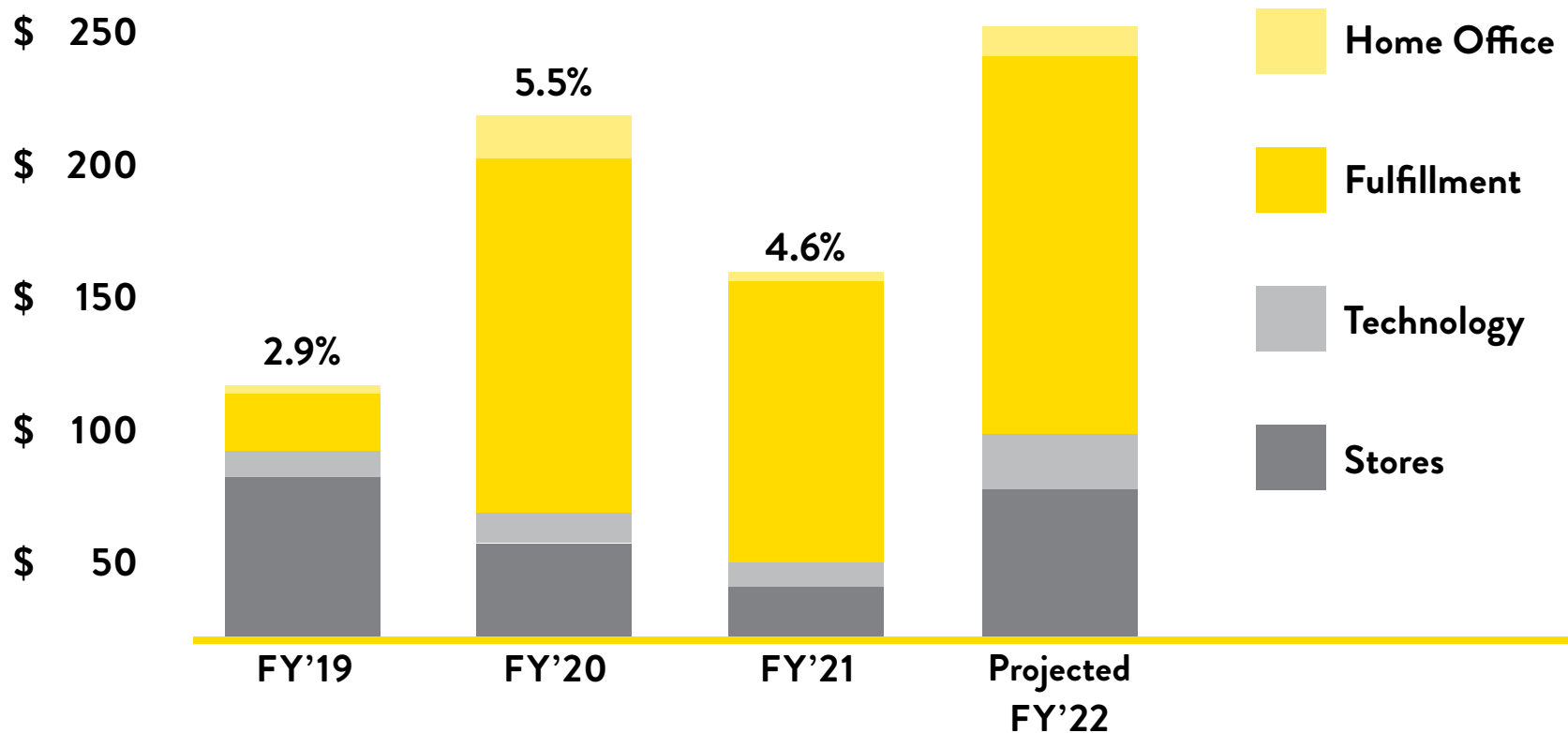
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales

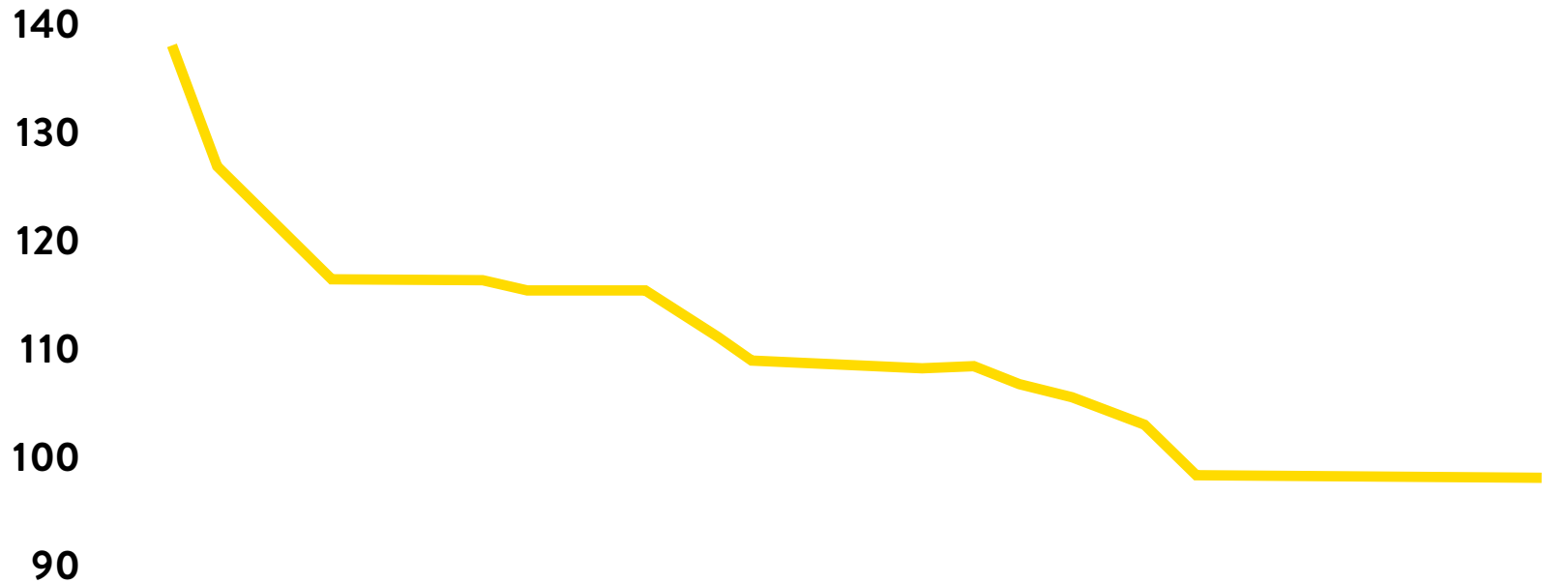


During the fourth quarter, capital expenditures were \$70 million while depreciation & amortization was \$25 million.



Shares Outstanding

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



	FY'16	FY'17	FY'18	FY'19	FY'20	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 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 resolutions on August 22, 2017 and June 4, 2019. Our weighted average diluted share count for the quarter was 99.1 million shares.



Global Retail Stores Summary

	YTD FY'21				Projected FY'22		
	Open as of January 31, 2020	Openings	Closings	Open as of January 31, 2021	Projected Openings	Projected Closings	Projected Open as of January 31, 2022
Anthropologie Group NA	211	5	1	215	9	7	217
Anthropologie Group EU	20	2	–	22	3	2	23
Total Anthropologie Group	231	7	1	237	12	9	240
Free People NA	140	5	1	144	24	2	166
Free People EU	4	1	–	5	1	–	6
Total Free People	144	6	1	149	25	2	172
Urban Outfitters NA	194	5	8	191	15	8	198
Urban Outfitters EU	54	2	–	56	2	2	56
Total Urban Outfitters	248	7	8	247	17	10	254
Menues & Venues	11	–	–	11	1	–	12
Total Company-Owned Stores	634	20	10	644	55	21	678
Franchisee-Owned Stores	7	–	6	1	3	–	4
Total URBN	641	20	16	645	58	21	682



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
	Q3	Store Count	234	146	250	11	641
		Selling SF	1,795	327	2,227	n/a	4,349
	Q4	Store Count	237	149	247	11	644
		Selling SF	1,815	331	2,195	n/a	4,341

*excludes franchisee-owned stores