

Urban Outfitters, Inc.

FY'23 Q3 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2023 third quarter commentary ahead of our earnings call scheduled for November 21st 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.

Our third 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	
	October 31, 2022	October 31, 2021
URBN Net Sales Change	3.9%	14.6%
Gross Profit*	30.4%	34.5%
Selling, General and Admin. Expenses*	25.5%	24.3%
Income from Operations*	4.9%	10.2%
Earnings Per Diluted Share	\$ 0.40	\$ 0.89

URBN sales for the third quarter increased by 4% to a record \$1.18 billion. The increase in sales was due to a \$23 million increase in Nuuly segment sales and a 2% increase in Retail segment sales, partially offset by a 3% decrease in Wholesale segment sales. The 2% increase in Retail segment sales was driven by a 4% increase in Retail segment comp sales, partially offset by a 2% negative impact of foreign currency translation.

Gross profit dollars decreased by 9% to \$357 million for the quarter, while gross profit rate decreased 416 bps to 30.4%. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter, with the Urban Outfitters brand having the largest variance.

Selling general & administrative ('SG&A') expenses increased by 9% to \$300 million while SG&A as a % of sales deleveraged by 121 bps to 25.5%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to increased store payroll expenses incurred due to increased store associate hours to support increased customer traffic and higher average wages in order to attract and retain employees, as well as marketing expenses to support increased sales and customer growth.

Operating income dollars decreased by 51% to \$57 million while operating income rate decreased by 537 bps to 4.9%. The decrease in dollars and rate was primarily due to the lower gross profit rate.

Net income for the quarter was \$37 million or \$0.40 per diluted share.

*expressed as a percent of net sales



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
Total Sales	\$ 1,175.3	\$ 1,131.4	\$ 43.9	4%
Retail Segment	\$ 1,067.5	\$ 1,043.9	\$ 23.6	2%
URBN Comp	\$ 1,033.8	\$ 997.8	\$ 36.0	4%
Anthropologie Group	471.7	417.2	54.5	13%
Free People Group	207.8	192.2	15.6	8%
Urban Outfitters	347.9	382.6	(34.7)	(9%)
Menus & Venues	6.4	5.8	0.6	10%
Retail Segment Comp				
By Geography				
North America	910.9	885.9	25.0	3%
Europe and ROW	122.9	111.9	11.0	10%
URBN Non-Comp	\$ 33.7	\$ 46.1	\$ (12.4)	(27%)
Wholesale Segment	\$ 72.5	\$ 74.8	\$ (2.6)	(3%)
Free People Group	66.4	69.0	(2.6)	(4%)
Urban Outfitters	6.1	5.8	0.3	6%
Nuuly Segment	\$ 35.3	\$ 12.7	\$ 22.6	178%

Total Company or URBN sales for the third quarter increased by 4% to a record \$1.18 billion. URBN Retail segment sales increased 2% to \$1.07 billion, with comparable sales increasing 4%, partially offset by a 2% negative impact of foreign currency translation. Retail segment comparable sales increased due to mid single-digit positive digital channel sales primarily driven by increases in sessions and average order value, as well as low single-digit growth in retail store sales due to higher traffic, transactions and average unit retail.

URBN Wholesale segment sales for the third quarter decreased by 3% to \$73 million, driven by a 4%, or \$3 million, decrease in Free People Group wholesale sales, partially offset by an increase of 6% in Urban Outfitters wholesale sales. The Free People Group wholesale sales decrease was primarily due to a decrease in sales to department stores, partially offset by an increase in sales to specialty stores.

Nuuly segment sales for the third quarter increased by \$23 million driven by a 185% increase in subscribers during the quarter versus the prior year's comparable quarter.



Revenue Metrics

ANTHROPOLOGIE

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
Total Sales	\$ 484.2	\$ 431.4	\$ 52.8	12%
Retail Segment	\$ 484.2	\$ 431.4	\$ 52.8	12%
Retail Segment Comp	\$ 471.7	\$ 417.2	\$ 54.5	13%
Sales by Geography				
North America	453.1	400.7	52.4	13%
Europe and ROW	18.6	16.5	2.1	13%
Retail Segment Non-Comp	\$ 12.5	\$ 14.2	\$ (1.7)	(12%)

Total Anthropologie Group brand sales increased 12% to \$484 million for the quarter.

Retail segment sales increased 12%, with comparable sales increasing 13%. The increase in Retail segment comparable sales was driven by low double-digit growth in digital channel sales due to increases in sessions and average order value, as well as low double-digit growth in retail store sales due to higher traffic, transactions and average unit retail. By product category, apparel, accessories and home were positive for the quarter. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.



Revenue Metrics



(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
Total Sales	\$ 280.7	\$ 265.0	\$ 15.7	6%
Retail Segment	\$ 214.3	\$ 196.0	\$ 18.3	9%
Retail Segment Comp	\$ 207.8	\$ 192.2	\$ 15.6	8%
Sales by Geography				
North America	200.5	186.0	14.5	8%
Europe and ROW	7.3	6.2	1.1	18%
Retail Segment Non-Comp	\$ 6.5	\$ 3.8	\$ 2.7	71%
Wholesale Segment	\$ 66.4	\$ 69.0	\$ (2.6)	(4%)
North America	65.0	67.0	(2.0)	(3%)
Europe and ROW	1.4	2.0	(0.6)	(34%)

Total Free People Group sales increased by 6% to \$281 million for the quarter. This increase was due to an increase in Retail segment sales of 9%, partially offset by a 4% decrease in Wholesale segment sales.

The growth in Retail segment sales was driven by an 8% increase in comparable sales due to low double-digit growth in the digital channel due to increases in sessions and average order value. Retail store sales were flat as higher traffic and average unit retail were offset by decreases in transactions and units per transaction. All product categories were positive except intimates. The increase in non-comparable Retail segment net sales was primarily due to the opening of new stores since the prior comparable quarter.

Wholesale segment sales decreased by 4% primarily due to a decrease in sales to department stores, partially offset by an increase in sales to specialty stores.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
Total Sales	\$ 367.6	\$ 415.9	\$(48.3)	(12%)
Retail Segment	\$ 361.4	\$ 410.1	\$(48.7)	(12%)
Retail Segment Comp	\$ 347.9	\$ 382.6	\$(34.7)	(9%)
Sales by Geography				
North America	250.9	293.4	(42.5)	(14%)
Europe and ROW	97.0	89.2	7.8	9%
Retail Segment Non-Comp	\$ 13.6	\$ 27.5	\$(13.9)	(51%)
Wholesale Segment	\$ 6.1	\$ 5.8	\$ 0.3	6%
North America	4.4	4.0	0.4	9%
Europe and ROW	1.7	1.8	(0.1)	(2%)

Total Urban Outfitters brand sales decreased by 12% to \$368 million for the quarter.

Retail segment sales decreased 12%, with comparable sales decreasing 9%. The decrease in Retail segment comparable sales was driven by a low double-digit decline in digital channel sales due to decreases in sessions and average order value, as well as a high single-digit decline in retail store sales due to decreases in average unit retail and units per transaction. All product categories were negative except intimates, beauty and men's accessories. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.

Wholesale segment net sales increased by 6%.



Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
Gross Profit* \$'s	\$ 357.0	\$ 390.7	\$ (33.7)	(9%)
Gross Profit* %	30.4%	34.5%		
Retail Segment				
Gross Profit \$'s	\$ 328.9	\$ 370.6	\$ (41.7)	(11%)
Gross Profit %	30.8%	35.5%		
Wholesale Segment**				
Gross Profit \$'s	\$ 20.3	\$ 18.3	\$ 2.0	11%
Gross Profit %	28.0%	24.5%		
Nuuly Segment				
Gross Profit \$'s	\$ 7.8	\$ 1.8	\$ 6.0	331%
Gross Profit %	22.2%	14.3%		

Gross profit dollars decreased by 9% to \$357 million for the quarter, while gross profit rate decreased 416 bps to 30.4%. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter, with the Urban Outfitters brand having the largest variance.

Retail segment gross profit decreased 11% to \$329 million while the Retail segment gross profit rate decreased 470 bps to 30.8% for the quarter. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter, with the Urban Outfitters brand having the largest variance.

Wholesale segment gross profit increased 11% to \$20 million while the Wholesale segment gross profit rate increased 356 bps to 28.0%. The higher gross profit rate was driven by increased sales to full price customers.

Nuuly segment gross profit was \$8 million for the quarter, compared to \$2 million in the prior year quarter. The increase in gross profit dollars was primarily due to the significant increase in subscription revenue as well as improved operating leverage.

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

**Net of intersegment elimination



SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	October 31, 2022	October 31, 2021	\$	%
SG&A* \$'s	\$ 299.7	\$ 274.8	\$ 24.9	9%
SG&A* %	25.5%	24.3%		

Selling general & administrative ('SG&A') expenses increased by 9% to \$300 million while SG&A as a % of sales deleveraged by 121 bps to 25.5%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to increased store payroll expenses incurred due to increased store associate hours to support increased customer traffic and higher average wages in order to attract and retain employees, as well as marketing expenses to support increased 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	
	October 31, 2022	October 31, 2021	\$	%
Operating Income \$'s	\$ 57.3	\$ 115.9	\$ (58.6)	(51%)
Operating Income %	4.9%	10.2%		
Retail Segment				
Operating Income \$'s	\$ 64.4	\$ 126.7	\$ (62.3)	(49%)
Operating Income %	6.0%	12.1%		
Wholesale Segment*				
Operating Income \$'s	\$ 13.3	\$ 10.9	\$ 2.4	22%
Operating Income %	18.4%	14.6%		
Nuuly Segment				
Operating Loss \$'s	\$ (3.2)	\$ (4.9)	\$ 1.7	34%
Operating Loss %	(9.1%)	(38.6%)		
General Corporate				
Expenses \$'s	\$ 17.2	\$ 16.8	\$ 0.4	3%

Operating income dollars decreased by 51% to \$57 million while operating income rate decreased by 537 bps to 4.9%. The decrease in dollars and rate was primarily due to the lower gross profit rate.

Retail segment operating income decreased by 49%, or \$62 million, to \$64 million for the quarter. The decrease in dollars was primarily due to the lower gross profit rate.

Wholesale segment operating income increased by 22%, or \$2 million, to \$13 million for the quarter. The increase in operating income was primarily due to the higher gross profit rate.

Nuuly segment operating loss was \$3 million for the quarter compared to a \$5 million loss in the prior year quarter.

General corporate expenses increased by 3%.

*Net of intersegment elimination



Income Statement Summary

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

Three Months Ended

	October 31, 2022	% of Net Sales	October 31, 2021	% of Net Sales
Net Sales	\$ 1,175.3	100.0%	\$ 1,131.4	100.0%
Cost of Sales (excluding Store Impairment)	817.3	69.5	740.7	65.5
Store Impairment	1.0	0.1	–	–
Gross Profit	357.0	30.4	390.7	34.5
Selling, General and Admin. Expenses	299.7	25.5	274.8	24.3
Income from Operations	57.3	4.9	115.9	10.2
Other Loss, Net	(5.0)	(0.5)	(0.5)	(0.0)
Income Before Income Taxes	52.3	4.4	115.4	10.2
Income Tax Expense	15.1	1.2	26.5	2.3
Net Income	\$ 37.2	3.2%	\$ 88.9	7.9%
Diluted Share Count	93.0		99.4	
Earnings per Diluted Share	\$ 0.40		\$ 0.89	

The effective tax rate for the third quarter was 29% compared to an effective tax rate of 23% in the third quarter of fiscal 2022. The change in the effective tax rate was attributable to the ratio of foreign taxable earnings to global taxable earnings, tax rate law changes and the prior year favorable impact of equity activity.

Net income for the quarter was \$37 million or \$0.40 per diluted share.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	October 31, 2022	October 31, 2021
Assets		
Cash and Cash Equivalents	\$ 147	\$ 236
Marketable Securities	146	188
Accounts Receivable, Net	81	114
Inventory	744	627
Other Current Assets	227	204
Total Current Assets	1,345	1,369
Property and Equipment, Net	1,175	1,088
Operating Lease ROU Assets	927	1,031
Marketable Securities	95	270
Other Assets	178	133
Total Assets	\$ 3,720	\$ 3,891
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 327	\$ 315
Current Operating Lease Liabilities	224	240
Other Current Liabilities	457	494
Total Current Liabilities	1,008	1,049
Non-Current Operating Lease Liabilities	861	986
Deferred Rent and Other Liabilities	113	109
Total Liabilities	1,982	2,144
Total Shareholders' Equity	1,738	1,747
Total Liabilities and Shareholders' Equity	\$ 3,720	\$ 3,891

As of October 31, 2022, cash and marketable securities totaled \$389 million with \$0 drawn down on our \$350 million asset backed line of credit facility.



Cash Flows Summary

(\$ in millions)
(unaudited)

	Nine Months Ended	
	October 31, 2022	October 31, 2021
Cash Flows from Operating Activities		
Net Income	\$ 128	\$ 270
Adjustments to Reconcile Net Income to		
Net Cash (Used in) Provided by Operating Activities:		
Depreciation & Amortization	78	78
Inventory	(185)	(238)
Payables, Accrued Expenses and Other Liabilities	59	161
Other Operating Activities	(86)	(49)
Net Cash (Used in) Provided by Operating Activities	<u>(6)</u>	<u>222</u>
Cash Flows from Investing Activities		
Cash Paid for Property & Equipment	(143)	(159)
Net Marketable Securities	<u>208</u>	<u>(204)</u>
Net Cash Provided by (Used in) Investing Activities	<u>65</u>	<u>(363)</u>
Cash Flows from Financing Activities		
Share Repurchases related to Share Repurchase Program	(112)	(15)
Other Financing Activities	<u>(7)</u>	<u>(5)</u>
Net Cash Used in Financing Activities	<u>(119)</u>	<u>(20)</u>
Effect of Exchange Rate	<u>0</u>	<u>1</u>
Decrease in Cash and Cash Equivalents	(60)	(160)
Cash and Cash Equivalents at Beginning of Period	<u>207</u>	<u>396</u>
Cash and Cash Equivalents at End of Period	<u>\$ 147</u>	<u>\$ 236</u>

URBN Inventory Data

(\$ in millions)
(unaudited)

	October 31, 2022	October 31, 2021	Cost Variance	
			\$	%
URBN Total Inventory	\$ 743.6	\$ 627.1	\$ 116.5	19%
Retail Segment Total Inventory	\$ 682.0	\$ 582.7	\$ 99.3	17%
Retail Segment Comparable Inventory by Brand	547.0	438.9	108.1	25%
Anthropologie Group	272.7	215.2	57.5	27%
Free People Group	95.7	69.5	26.2	38%
Urban Outfitters	178.6	154.2	24.4	16%
Wholesale Segment by Brand	\$ 61.6	\$ 44.4	\$ 17.2	39%
Free People Group	54.0	38.2	15.8	41%
Urban Outfitters	7.6	6.2	1.4	23%
Nuuly Segment Rental Product, Net*	\$ 76.4	\$ 22.2	\$ 54.2	244%

As of October 31, 2022, inventory increased 19% to \$744 million as compared to the prior year. Retail segment inventory increased by 17% driven by higher costs, earlier than planned receipts due to improved supply chain speed and excess slower selling product in certain categories. Wholesale segment inventory increased by 39% due to softness in department store sales.

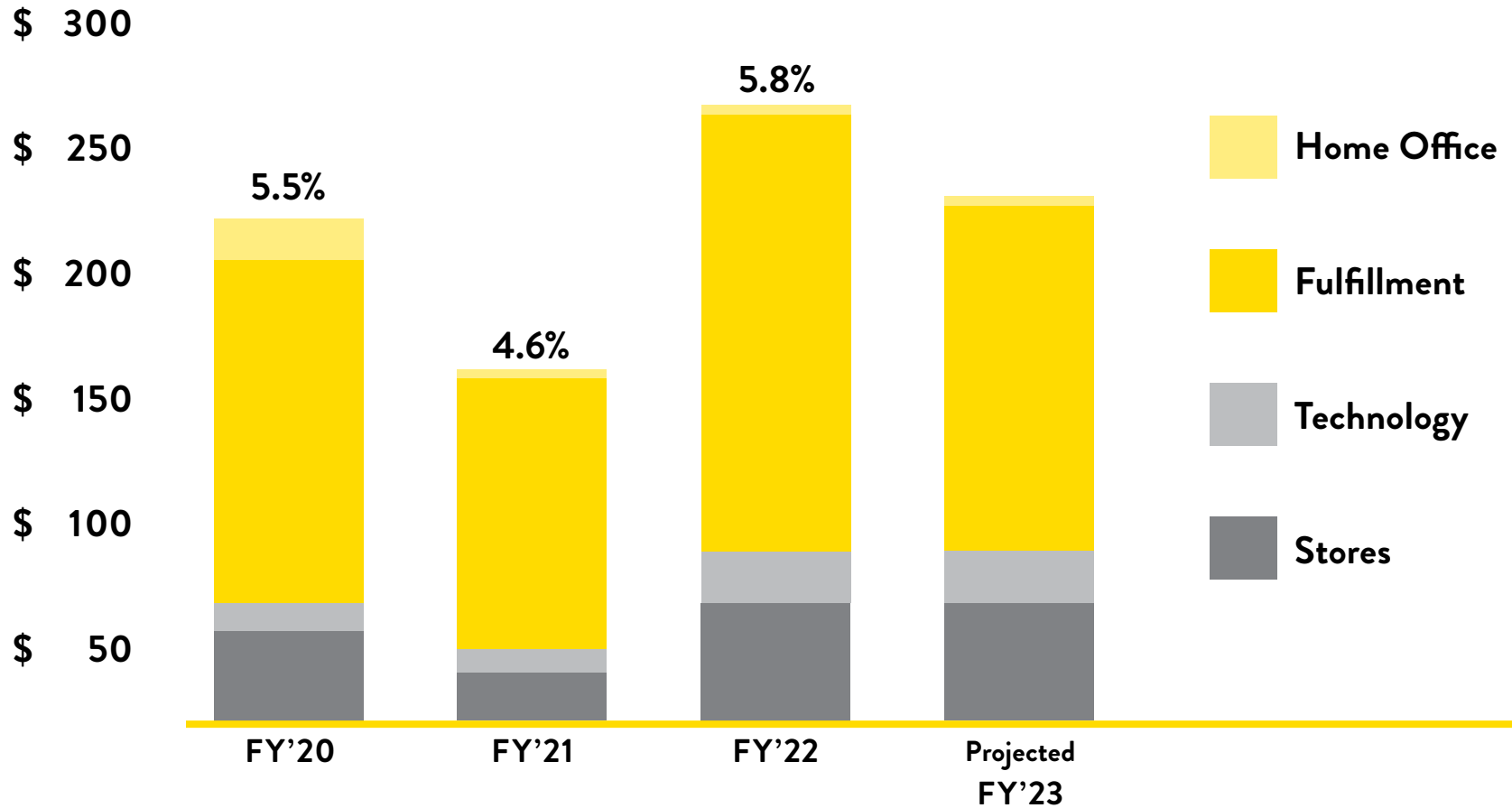
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



During the third quarter, capital expenditures were \$38 million while depreciation & amortization was \$25 million.



Shares Outstanding

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



	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Shares Repurchased						
Number of Shares	8.1	3.5	8.1	0.5	2.0	4.7
Total Cost	\$ 157	\$ 121	\$ 217	\$ 7	\$ 56	\$ 112

The Company did not repurchase any shares during the quarter. The Company has authorization to repurchase approximately 19 million additional shares remaining granted by the Board of Directors resolution on June 4, 2019. Our weighted average diluted share count for the quarter was 93.0 million shares.



Global Retail Stores Summary

	Q1–Q3 FY'23				Q4 FY'23		
	Open as of January 31, 2022	Openings	Closings	Open as of October 31, 2022	Projected Openings	Projected Closings	Projected Open as of January 31, 2023
Anthropologie Group NA	217	3	1	219	2	4	217
Anthropologie Group EU	21	1	–	22	–	–	22
Total Anthropologie Group	238	4	1	241	2	4	239
Free People NA	147	2	1	148	1	4	145
FP Movement NA	20	7	–	27	4	–	31
Free People EU	6	4	–	10	1	–	11
Total Free People Group	173	13	1	185	6	4	187
Urban Outfitters NA	202	3	2	203	1	3	201
Urban Outfitters EU	59	2	–	61	1	–	62
Total Urban Outfitters	261	5	2	264	2	3	263
Menus & Venues	10	1	–	11	–	–	11
Total Company-Owned Stores	682	23	4	701	10	11	700
Franchisee-Owned Stores	3	3	–	6	2	–	8
Total URBN	685	26	4	707	12	11	708



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'22	Q1	Store Count	238	153	251	11	653
		Selling SF	1,816	338	2,224	n/a	4,378
	Q2	Store Count	239	162	255	10	666
		Selling SF	1,820	352	2,238	n/a	4,410
	Q3	Store Count	242	170	260	9	681
		Selling SF	1,838	362	2,270	n/a	4,470
	Q4	Store Count	238	173	261	10	682
		Selling SF	1,813	367	2,264	n/a	4,444

		AN	FP*	UO	M&V	URBN**	
FY'23	Q1	Store Count	237	174	262	11	684
		Selling SF	1,810	368	2,270	n/a	4,448
	Q2	Store Count	239	183	261	11	694
		Selling SF	1,821	384	2,263	n/a	4,468
	Q3	Store Count	241	185	264	11	701
		Selling SF	1,830	386	2,282	n/a	4,498

*includes 27 FP Movement stores as of Q3 FY'23, with a total Selling SF of 35

**excludes franchisee-owned stores