

URBAN OUTFITTERS, INC.

Second Quarter, FY'25 Conference Call
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Participants

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Frank Conforti, Co-President & COO
Margaret Hayne, Co-President & CCO
Sheila Harrington, Global CEO, Urban Outfitters & Free People Groups
Shea Jensen, President, Urban Outfitters, North America
Tricia D. Smith, Global CEO, Anthropologie Group
Melanie Marein-Efron, CFO
Azeez Hayne, Chief Administrative Officer
Dave Hayne, Chief Technology Officer, URBN and President, Nuuly
Barbara Rozsas, Chief Sourcing Officer
David Ziel, Chief Development Officer
Oona McCullough, Executive Director of Investor Relations

Good afternoon, and welcome to the URBN second quarter fiscal 2025 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three and six-month period ending July 31, 2024.

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.

On today's call you will hear from Richard Hayne, CEO, URBN, Frank Conforti, Co-President and COO, URBN, Tricia Smith, Global CEO, Anthropologie Group, Shea Jensen, President, Urban Outfitters, North America and Melanie Marein-Efron, CFO, URBN. Following that, we will be pleased to address your questions. For more detailed commentary on our quarterly performance and the text of today's conference call, please refer to our investor relations website at www.urbn.com.

I will now turn the call over to Frank.

Frank Conforti

Thank you, Oona, and good afternoon, everyone.

Today I will discuss our total Company second quarter results versus the prior year followed by some more detailed notes by brand. I will also provide some commentary on our current trends and the macro environment.

Overall, the teams delivered an exceptional quarter which was nicely ahead of our plans as discussed on the first quarter call. Total URBN sales grew by 6% to a Q2 Record of \$1.4B and four of our five brands continued to perform remarkably well, posting record second quarter sales and profits. Our sales growth was driven in part by a Retail segment 'comp' of 2%. Anthropologie, and Free People produced a high single-digit positive Retail segment 'comp', which more than offset the high single-digit Retail segment 'comp' decline at Urban Outfitters. Nuuly also delivered robust double-digit revenue growth due to a 55% increase in average active subscribers versus the prior year. Additionally, the Wholesale segment increased revenue by 15% driven by a healthy increase in the regular price sales at Free People.

Now moving on to gross profit. URBN gross profit dollars increased 8% to \$493 million while gross profit rate improved by 68 basis points to 36.5%. The improvement in the gross profit rate was primarily due to increased initial merchandise margins, driven by strong execution of cross-functional brand initiatives in the Retail, Wholesale and Nuuly segments. These improvements were partially offset by a higher markdown rate at Urban Outfitters as the brand used incremental discounts to move through excess inventory.

Now moving on to 'SG&A' expenses. For the quarter, 'SG&A' increased 8% versus the prior comparable quarter and deleveraged by 32 basis points. The deleverage was primarily due to the Urban Outfitters brand not being able to reduce 'SG&A' at the same rate of their sales decline. While we did reduce our 'SG&A' spending at the Urban Outfitters brand in Q2, we did not believe it was prudent to reduce expenses at the same rate as sales. The increase in total Company, 'SG&A' expense dollars was largely due to increased marketing spend supporting the solid sales growth at Anthropologie, Free People, FP Movement and Nuuly brands. Anthropologie and Free People brands marketing efforts helped to drive double-digit traffic gains to the store and digital channels, while Nuuly's marketing campaigns helped to produce over 50% active subscriber growth.

Total URBN operating income increased 10% versus last year to \$145 million with operating profit rate improving 36bps to 10.7%. Net income increased 13% to \$117 million or \$1.24 per diluted share.

I will now provide more details by brand, starting with Free People. The Free People team produced an outstanding quarter with global Free People group sales increasing 10%. The double-digit increase in sales was driven by an impressive 7% Retail segment 'comp' and an 18% increase in Wholesale segment revenues. The 7% Retail segment 'comp' gain was on top of the incredible 27% Retail segment 'comp' from last year. The sales 'comp' was driven by a similar 'comp' in both the digital and store channels. During the quarter, the Free People brand achieved positive

sales growth across apparel, accessories and Movement. The FP Movement brand delivered 18% total growth, driven by a 6% Retail segment 'comp', new store growth and over 60% Wholesale segment growth. Congratulations to the Free People team on delivering another strong quarter even while up against last year's exceptional second quarter performance. Customer response to the brand's fall trends has been positive and the brand continues to gain market share. We believe the brand could deliver a low to mid-single-digit positive Retail segment 'comp' in the third quarter.

The Free People Wholesale segment sales increased 18% during the quarter driven by full price sales gains in department and specialty stores, partially offset by an intentional decline in sales to the closeout channel. The FP Movement brand led the way with strong sales growth in the quarter. Segment profitability improved significantly from the prior year when the brand had elevated close out channel sales to reduce aging product. We believe the Wholesale segment could continue to deliver double-digit sales growth and improved profitability versus last year in the third quarter.

Now moving on to the Urban Outfitters brand. Urban Outfitters recorded a 9% Retail segment 'comp' decline in the quarter. This was largely in line with our expectations when we spoke with you in May with both North American and Europe showing slight improvement from their Q1 performance driven in part by higher promotions. UO's negative 'comp' was the result of disappointing performance in both North America and Europe. Global Retail segment 'comp' declined in both the digital and store channels. As noted on the last call, both the home and women's accessories categories are showing positive trends. Both categories recorded double-digit positive regular price 'comps', driving nicely positive maintained margin dollar and rate improvements. All other categories sales 'comps' declined in the quarter. As you know, new leadership joined the brand in North America earlier this year and Shea Jensen, the President of UO North America will speak later to the go forward brand strategy in North America.

Finally, I will touch on the Nuuly business which delivered another exceptional quarter. Nuuly added over 25,000 average active subscribers versus the first quarter, ending the quarter with over 250,000 average active subscribers for the full quarter. The solid growth in average subscribers led in part to a 63% increase in brand revenue. As we have noted, historically Nuuly experiences the most significant growth in subscribers during the seasonally strong first and third quarters. A strong start in August bodes well for the Nuuly brand to continue to deliver healthy revenue growth in the third quarter. The strong revenue growth in the second quarter led to expense rate leverage in almost every expense line item and resulted in a record operating profit of \$5.3 million and a 5.9% operating margin for the brand. We believe this level of profitability could continue in the back half of the year which would make Nuuly profitable on a full year basis this year. Congratulations to the Nuuly team on an exceptional quarter.

Now on to more recent trends and the macro environment. Towards the end of July and into August, we have observed a slight deceleration in Retail segment sales compared to the second quarter run rate. While consumer traffic has remained consistent, overall purchasing activity has shown some softening. New product launches continue to resonate well, though customers appear to be exercising more discretion in their buying decisions. Given the recency of these trends, we are approaching our third-quarter plans with measured caution. There are likely various macroeconomic factors influencing consumer behavior at this time, making it difficult to pinpoint

specific causes. However, it is evident that consumer sentiment has softened recently, and the duration of this trend remains uncertain. During this time of uncertainty, we believe it is prudent to keep inventory levels lean and manage expenses appropriately, and that is exactly what we plan to do.

Despite a deceleration in trend, total Company sales remain positive, and we believe Retail Segment ‘comps’ could grow in the low single-digit range for the third quarter. Positive retail segment ‘comps’ combined with robust revenue growth from Nuuly and double-digit growth in the Wholesale segment could result in a mid-single digit increase in total Q3 URBN sales.

I will now turn the call over to Tricia Smith, Global CEO of the Anthropologie group, to provide details on their brand’s second quarter performance as well as a strategic update.

Tricia Smith

Thank you, Frank. Good afternoon, everyone. I’m delighted to have the opportunity to speak to you again about the Anthropologie Group’s strategic growth initiatives and our continued top-line and bottom-line growth in Q2. This quarter marks our 14th consecutive quarter of growth. We delivered a 7% retail segment ‘comp’ with similar results in the store and digital channels. Our Women’s apparel and accessory business continues to lead our growth with a double-digit ‘comp’ increase driven by our own-brand penetration increasing several hundred basis points. In our Home business we are seeing signs of improvement with our trend shifting to low single-digit negative ‘comps’.

We are particularly proud that our topline growth is complemented by even greater growth in profit. The brand delivered record second quarter operating income up 32% supported by IMU growth, continued markdown efficiency, and operational improvements. This marks our seventh consecutive quarter of double-digit operating income growth.

As the current quarter progressed, we saw a slight deceleration in July that continued into August, and we are anticipating low to mid-single digit ‘comp’ increases in the third quarter. We anticipate that we will be more promotional in Q3 than we were last year to ensure that our inventory is more aligned to the current sales trends as we enter Q4.

Now shifting to our longer-term strategy. Over the last few years our team has elevated product and creative, grown our customer base, and enhanced our selling environments. We are transforming our business to continue to support the expansive growth we have experienced.

Since I shared our strategic priorities with you last summer, we have exceeded the goals we set for ourselves and evolved our priorities. Our north star remains the same, and we continue to identify new opportunities for growth taking us from \$1.6B in FY20 pre-COVID to last year’s \$2.2B and looking ahead toward our \$3B ambition. We’ve adopted an accelerated growth mindset founded on a rapid test-and-learn methodology across the business. We are testing, reacting, and amplifying successes.

In our Women's business three years ago when seeking to modernize our product, we started with what we are most famous for, we accelerated dresses and built our denim and shoe assortment. Additionally, we strengthened our Apparel Own Brands increasing their contribution to nearly 70% of the business. Pilcro, our lifestyle denim brand, has grown at a rate outpacing our top line since last year. Maeve, a customer favorite, is our most profitable own brand and has seen strong double-digit growth year-over-year.

Looking forward, we see opportunity for further growth by expanding the end-use-offering of our products to serve our customers' full lifestyle through three new concepts. We are building our active & loungewear business under our own brand Daily Practice, offering a year-round assortment of sleepwear & intimates in all stores, and a vacation lifestyle capsule in select locations seasonally and on-line year-round. These Own Brand collections are supplemented with market brands who have authority within the space. Six months ago, we tested doubling the store square footage of these concepts. The test resulted in improved overall store performance with test stores outpacing control stores in the growth of the total women's category and well as the Daily Practice collection. Given the success of that test, we have rolled out the expansion to 50 locations.

In our Home business, we're well-positioned in categories that resonate with customers around entertaining and refreshing their home décor. For example, our Q2 home accessories business, which includes categories such as home fragrance and tabletop, has grown high single-digits year-over-year. We spent the last 18 months laying the foundation for more profitable growth in the home category. In the home business, as you know, product profitability is impacted significantly by factors other than IMU, and we have engineered operational efficiencies upon which we can more profitably grow our business. We are applying our rapid testing approach in Anthropologie Home, taking strategic risks and fueling newness.

Our customers are responding to our products and our inspirational creative assets and at the same time, appealing to and helping us speak to more customers.

Since FY20, through the end of last year, we have grown our customer base by an additional one million customers, up 30%. Of this, our new customer was the fastest growing segment at plus 52%, while we have also seen double-digit growth in retained customers. In addition, our sales per customer has grown over 20%. In addition to growing our total customer base and their value, we have simultaneously welcomed a younger demographic to our brand, especially in our Women's division where we've seen a two-year reduction in the average age of our new customers in the last year.

Furthermore, we are speaking to our customers as omnichannel customers, not just retail or digital. Our omnichannel customers spend four times what single-channel customers spend, contributing to the consistent growth we see across both channels. We are investing in all channels and points of customer contact to enhance the selling experience – in digital, in stores, and in our call centers.

We are adding stores at a more rapid rate than we have in a decade. Since FY20 our four-wall profitability has grown over 900bps while our same store sales have increased almost 20%. Our plan to grow the Anthropologie fleet to 270 stores globally is well underway. Having acquired one million new customers, we're leveraging omnichannel data to position our stores where we know

we have customers particularly as customers are migrating to different geographies and markets, and we are honored with the welcome reception we've received in those communities. As we open stores in new markets, along with strong new store sales, we also see significant increases in digital demand. So, our omni approach is about creating a consistent and outstanding experience across channels.

We are proud of our transformation, and I am proud of the exceptional team delivering our results. I am confident in our continued growth on our path to become a \$3B brand, I look forward to providing you with more updates in the future. I will now turn the call back to Frank.

Frank Conforti

Thank you, Tricia. Congratulations on the incredible performance and exciting strategic update.

Next up is Shea Jensen, Urban Outfitters, North American President. She will be speaking to the UO North America's updated brand review and strategic plan.

Shea Jensen

Thank you Frank, and good afternoon, everyone. I'm pleased to share an update on the Urban Outfitters brand North America. Over the past few years, Urban Outfitters North America has faced significant challenges in both top and bottom-line performance. And, over the past six months, with new leadership in place, the team has conducted an extensive review of the brand. We've assessed our market position, customer health, product assortments, marketing, including our creative perspective, our selling channel touchpoints and our talent. What we learned is, while there is a great deal of opportunity for improvement, the brand is not fundamentally broken. We believe the erosion in sales and profits is due to a combination of a lack of focus and clarity on our customer in a dynamic and changing market and poor execution in the absence of a wholly dedicated leadership team. We are confident that with the right team in place and the right approach, Urban Outfitters can rebuild our customer base, restore profitability, and reinstate our position as one of the most beloved brands for young customers.

Our segment has seen rapid and seismic shifts as the generational passage from Millennial to Gen Z occurred amidst a global pandemic. As these shifts occurred and a new generation began coming of age, we lost focus on our customer, and we lost track on how to win with them in today's dynamic retail environment. As a result, our customer funnel eroded, as we did not acquire enough new customers, and our retention rates declined as well. Additionally, the lack of clarity and focus on customers impacted our product strategies, our marketing strategies, and our channel experience across our touchpoints.

In the short term, our focus has been on stabilizing our business. We have strengthened our leadership team, adding subject matter expertise across all critical functions, corrected our inventory levels so that we are entering the second half of this year with clean inventory and new fresh product, and perhaps most importantly, worked to gain a solid understanding of young

consumers today through extensive customer research – both qualitative and quantitative. These insights will guide our path forward and have helped shape our strategy. Looking ahead, we have established five pillars to recover the brand and return to growth.

Our ambition is to become the definitive brand for young adults.

The five pillars of brand recovery we have identified are: first, we have defined and will consistently focus on our target customer. Second, with a clear and united understanding of who our customers are, we will rebuild our customer base by investing in marketing strategies that meet young customers where they are and build affinity with our brand. Third, we will evolve our product offer to be more relevant to a broader range of our target customers. Fourth, we will maintain focus on disciplined inventory investments, ensuring our investments drive improved full price sell through and meet the demand of our customers. And finally, we will adapt our touchpoints to be more relevant for Gen Z consumers.

Our first step was to gain a firm understanding of Gen Z consumers. Today, the Gen Z consumer is significantly different than the Millennial generation before them: from size, ethnicity, tastes and occasions, to how they view and interact with the world. We have traditionally targeted an aspirational 22-year-old customer living in major metropolitan cities. Our new customer segmentation broadens our target and aligns customers across three segments: younger, suburban pre-college customers, a college age student, and an older post-college customer. We welcome and want to serve today's population of young customers, across more prices and sizes, more categories and occasions, and across more aesthetics and sensibilities and in both urban and suburban areas. This includes pivoting from our traditionally "alternative" sensibility to offering a more upbeat and welcoming perspective across our assortment and our touch points.

With this in mind, our goal is to welcome more people into our brand. We will rebuild our customer base by refreshing our brand identity: clarifying our mission, vision and values, evolving our creative expressions across our touchpoints, and repositioning Urban Outfitters to be a more welcoming and relevant brand for young customers today. Additionally, we are already actively strengthening our presence across social media platforms and reallocating our marketing investments to prioritize the acquisition of new customers. We believe that our approach will yield healthier levels of organic traffic and higher customer acquisition rates to continuously fuel our customer funnel.

Next, we will evolve our product offer to serve a broader range of customers. We believe our product assortment has unintentionally become too narrow in price, occasion, and sensibility and needs broader appeal. With insights driving our path forward, we will increase the penetration of opening price points as well as ensure we offer the best price/value combination on every item we sell. We will broaden our category range and ensure we are meeting the lifestyle and occasion needs of our target customers. We do not believe this means an increase in total SKUs, but rather a more accurate representation of the right products across our total assortment. This does include better accuracy and allocation of sizes and improving the productivity of the total offering through assortment planning and allocation that is rooted in our customer strategy. We plan to introduce new categories such as athleisure, distort into the categories we've heard matter to our customers such as denim and lounge, and amplify categories where we differentiate, such as gifting and

beauty. We also are excited to rebuild our branded assortment through partnerships with aspirational, influential and credible national brands that matter to young customers today.

We anticipate our customer focused product strategies will deliver a higher penetration of full price sales and full price sales growth, and a reduced dependency on promotionality.

We know sentiment and style can move fast with young customers, and in order to leverage the incredible scale of the URBN sourcing and speed-to-market capabilities, we need to maintain inventory discipline and better align our sales to inventory levels. By utilizing more data driven planning and allocation capabilities, we will reduce our markdowns, work to restore profitability, and position our teams to fuel growth by making decisions closer to our customers. As we enter the second half of this year with clean inventory, we expect inventory turns to improve on a regular cadence.

Finally, we heard from our customers that a combination of social, digital and in real life, or physical shopping, are equally important components of the shopping experience. Gen Z's coming of age experience began during a global pandemic, and the idea of connecting a shopping experience through the discovery of social media, the convenience of digital shopping, and the connection that can be made in physical retail, is table stakes. We are advantaged with our retail footprint and omnichannel capabilities. We will work to optimize our footprint to ensure our locations are positioned near our target demographic and ensure we better align the size of our stores with our new vision for physical retail and the store experience. We believe we have an opportunity to close some store locations where population shifts have occurred, to relocate some stores to be more adjacent to our target customers, but also to better align the size of stores with our future needs.

At the same time, we will work to actively optimize our stores through improved assortment strategies and localization. Finally, digital channels are where young customers live their life. Our team is doubling down our engagement on social platforms and working to ensure our digital experience evolves to be an extension of that digital experience through more user generated content, improved creative, and social features. Omnichannel customers are our most valuable customers, spending more than three times other customers. With an adapted channel experience, we expect our customer engagement and retention will grow. And ultimately our percentage of omnichannel customers will increase.

Despite our current challenges, we are optimistic about the steps we're taking to revitalize Urban Outfitters North America. In the short term, we are looking to see sequential top-line improvement with a building penetration of full price sales, which should drive stronger bottom-line improvement. As we pivot our marketing strategies, we expect a build of our customer funnel while at the same time we are working to evolve our product assortment and see full price sales grow. We recognize this may take time to fully materialize, but we are committed to rebuilding our customer base and restoring profitability. The road ahead involves focused execution on our five recovery pillars. With a solid leadership team in place, we are optimistic about our strategy, the path ahead, and our ambition to become the definitive brand for young adults.

I will now turn the call over to Melanie.

Melanie Marein-Efron

Thank you, Shea.

Now I will discuss our thoughts on the third quarter financial performance and fiscal year FY25 performance.

As Frank mentioned, we have seen a slight deceleration in trends recently, but our total Company sales remain positive. Right now, we believe that third quarter total Company sales growth could be mid-single digits. Sales growth in Q3 could result from low single-digit growth in Retail segment 'comp' and low teen growth in the wholesale segment. In addition, we believe that Nuuly segment sales growth could be mid-double-digits.

Now on to gross profit margin. We believe URBN's gross margin rate for the third quarter could decline by approximately 100 basis points compared to the prior year third quarter. The reduction in gross profit margin could be primarily due to higher markdowns as our third quarter receipt plans were ordered prior to the recent deceleration. As a result, we will need to add incremental promotional activity and markdowns in the quarter to clear through inventory as we enter the fourth quarter. We continue to believe that URBN can deliver our full year plan of approximately 50-100 basis points of gross margin improvement compared to the prior year.

Now moving on to 'SG&A' expenses. Based on our current sales performance and plan, we believe 'SG&A' growth for the third quarter will increase in the mid-single digits. Our planned growth in 'SG&A' could be primarily driven by higher marketing expenses to support growth in customers and sales at Anthropologie, Free People, FP Movement and Nuuly. As always, if sales performance fluctuates, we maintain a certain level of variable SG&A spending that we can adjust up and down depending on how our business is performing.

We are currently planning our effective tax rate to be approximately 24.25% for the third quarter and 24% for the full year.

Now moving onto inventory. We believe that inventory levels in the third quarter could grow at a rate similar to sales growth.

Capital expenditures for the fiscal year are planned at approximately \$210 million. The FY25 capital project spend is broken down as follows: approximately 50% is related to retail store expansion and support, approximately 25% is related to logistics capacity investments including the Nuuly rental fulfillment center in Raymore, Missouri, which we opened in the first quarter and the remaining 25% would be our normal capital investments supporting IT, home office and logistics operations.

Lastly, we will be opening approximately 57 new stores and closing approximately 25 stores. Our net new store growth is being driven by growth in FP Movement, Free People and Anthropologie stores. During FY25, we plan on opening 25 FP Movement stores, 12 Free People stores and 13 Anthropologie stores.

As a reminder, the forgoing does not constitute a forecast, but is simply a reflection of our current views. The Company disclaims any obligation to update forward-looking statements.

Now I am pleased to turn the call to Dick for some closing remarks.

Dick Hayne

Thank you, Mel, and thank you to our brand leaders – Tricia, Sheila, Shea, and Dave, and in Europe, Emma and Matt. They and their teams produced outstanding second quarter results. As Frank shared earlier, four of our five brands delivered record second quarter sales and profits and the Urban brand, as Shea just discussed, has fashioned its strategy to win on a go-forward basis. Most importantly, the Urban brand now has a strong team in place to deliver on that strategy.

Turning to the current business climate, on our last conference call I stated that the customer mood in Q1 was enthusiastic rather than the mood a year earlier which was exuberant. I believe that is still an accurate description for Q2. Traffic in our stores remains strong and on-line sessions remain double-digit positive at three of our four retail brands. Fall products are selling briskly with customers choosing the newest fashion. Yet all our retail brands registered a slight sales slowdown in mid-July that continues in August.

So, what's different?

You may recall, I also said on the May call that consumer purchases were becoming slightly more considered than the previous year. With the slowdown starting in mid-July, purchases became even more considered. Conversion dropped slightly and price became a bigger factor with AOV dipping slightly, as well. Total transactions continue to grow, but the customer, on average, spent a little less on each purchase. We believe this suggests a return to pre-COVID behavior when our 'comp' sales expectations were typically lower and customers were more selective. We expect this will become the 'new reality' and as Frank discussed, will necessitate even stronger inventory and expense control. Our brand and shared service teams understand the new environment and are prepared to meet that challenge.

Finally, a word about our youngest brand, Nuuly. The brand celebrated its fifth birthday in the second quarter and commemorated it by delivering another quarter of strong year-over-year, double-digit gains in average, active subscribers and revenue. They also posted record profits and became the number one fashion rental business in the US. Happy birthday, Nuuly, congratulations on your success.

That concludes our prepared remarks. I wish to thank our Co-Presidents, the brand, design and shared service leaders and their teams, and our 28,000 associates worldwide for their excellent work. Our outstanding Q2 results flow directly from your creativity, drive, and resilience, so thank you. Thanks also to our many partners around the world. We appreciate the significant contributions you make to our success. And finally, thanks to our shareholders for your continued support.

I now turn the call over for your questions.