

## **URBAN OUTFITTERS, INC.**

Fourth Quarter, FY'25 Conference Call  
February 26, 2025

### **Participants**

Richard A. Hayne, Chief Executive Officer  
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 fourth quarter fiscal 2025 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three and twelve-month period ending January 31, 2025.

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. 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](http://www.urbn.com).

I will now turn the call over to Dick.

## **Dick Hayne**

Thank you, Oona, and good afternoon, everyone.

We're pleased to announce record fourth-quarter sales and full-year profits, both of which surpassed our expectations. Speaking to those results on today's call, you will first hear from Frank Conforti, our Co-President and COO. Following Frank, Melanie Marein-Efron, our CFO, will talk about our current expectations for fiscal 2026. Then, after my brief closing remarks, we will be pleased to address your questions.

I will now turn the call over to Frank.

## **Frank Conforti**

Thank you, Dick, and good afternoon, everyone.

Today I will discuss our total Company fourth quarter results versus the prior year followed by some more detailed notes by brand.

Please note, today I will be speaking to our financial results on an adjusted basis which do not include prior year non-core adjustments for asset impairments, lease abandonments, a release of income tax reserves, and a change in the revenue recognition method at Nuuly. Each of these items is detailed in our press release as well as the investor presentation that is posted to our URBN investor relations website. Now on to our results.

Overall, the teams delivered another exceptional quarter, surpassing our plans as discussed during the third quarter conference call. Total URBN sales grew by 9%, reaching a Q4 record of \$1.6 billion. Four of our five brands performed remarkably well, posting record fourth-quarter sales. Additionally, the Urban Outfitters brand made significant progress in reducing the brand's operating loss versus the prior year and improving their sales trend. URBN sales growth was partly driven by a 5% increase in the Retail segment 'comp' due to a high single-digit DTC channel 'comp' and a low single-digit store 'comp'. Both Anthropologie and Free People achieved a high single-digit positive Retail segment 'comp', slightly offset by a low single-digit 'comp' decline at the Urban Outfitters brand. Nuuly delivered robust double-digit revenue growth, thanks to a 53% increase in average active subscribers compared to the prior year. Additionally, the Wholesale segment saw a 26% revenue increase, driven by a healthy rise in full-price sales at Free People.

Now turning to gross profit. URBN saw a 17% increase in gross profit dollars, reaching a record \$528 million. The gross profit rate also improved nicely by over 200 basis points, rising to 32.3%. This is on top of a 290-basis point improvement in gross profit rate in the fourth quarter last year. The current year's increase was due to better gross margins across all segments. The improvement in the retail segment was primarily driven by a reduction in markdowns with Urban Outfitters leading the way with significantly lower markdowns vs. the prior year, followed by an improvement at Anthropologie. Additionally, the Retail segment gross margin benefitted from increases in initial margins at both Anthropologie and Free People.

In the fourth quarter, SG&A increased by 9%, leveraging by 18 basis points as a rate to sales. The growth in SG&A dollars was primarily driven by increased marketing spend, fueling sales growth for the Anthropologie, Free People, FP Movement, and Nuuly brands. The marketing efforts of Anthropologie, Free People and FP Movement boosted traffic to both the store and digital channels, while Nuuly's campaigns resulted in a healthy double-digit growth in average active subscribers.

Total URBN operating income rose by 54% compared to last year, reaching \$125 million, while the operating profit rate improved by over 220 basis points to 7.7%. Net income saw a 49% increase to \$98 million or \$1.04 per diluted share.

I will now provide more details by brand, starting with Anthropologie. The Anthropologie team delivered another exceptional quarter with an 8% Retail segment 'comp' and their ninth straight quarter of year-on-year double-digit operating income growth. Positive 'comps' were driven by a double-digit increase in the digital channel and a mid-single-digit increase in the store channel. All categories delivered positive regular price and total sales 'comps' during the quarter, with broad-based strength across apparel categories. I know Tricia and team are also very proud to report that the Anthropologie Home category posted its first positive regular price and total sales 'comp' for the year.

The Anthropologie team continues to execute on their strategic initiative of expanding the end-use-offering of products to serve their customers' full lifestyle. In January, Anthropologie launched Celandine, an exclusive in-house resort wear label offering year-round vacation-ready styles, which can be found in select locations seasonally and on-line all year round. Celandine, Daily Practice and the brands expanded assortment of intimates and lounge continue to experience outsized growth and we believe could be meaningful categories moving forward.

Additionally, Anthropologie continues to succeed on their goal of attracting new younger customers while deepening engagement with existing ones. The brand continues to make strategic marketing investments supported by outstanding creative content, which drove positive increases in store and digital traffic as well as an 11% increase in total customers for the quarter. Impressive sales growth and healthy margin expansion, coupled with well-managed expenses, drove record operating profit dollars for the brand in the fourth quarter. Based on our current plans, we believe Anthropologie could deliver a mid-single-digit positive Retail segment 'comp' for the first quarter and the full year of fiscal '26.

Next, the Free People team produced another outstanding quarter with total retail and wholesale segment sales increasing 13%. The double-digit increase in sales was driven by an 8% Retail segment 'comp', a 27% increase in Free People Wholesale segment revenues and a 194% increase in 'non-comp' sales driven by continued successful new store openings.

The positive Retail segment 'comp' was driven by a low double-digit DTC 'comp' and a mid-single-digit store 'comp'. During the quarter, the Free People brand achieved positive 'comp' sales growth across all major categories. The FP Movement brand delivered robust total growth of 34%, driven by a 19% Retail segment 'comp', a 66% increase in FP Movement store base, while the FP Movement Wholesale segment exploded in the quarter achieving over 90% growth versus

last year. ‘Non-comp’ sales growth was driven by 32 new stores, 7 Free People and 25 FP Movement locations opened over the last 12 months. The brand continues to have outsized new store opportunities driven in part by continued expansion in FP Movement which will open an additional 20 locations in fiscal ’26. Based on our current plans, we believe the Free People group could deliver a positive Retail segment ‘comp’ in the low to mid-single-digit range for the first quarter and the full year of fiscal ’26.

Free People Wholesale revenues increased 27% during the quarter, driven by full price sales gains in specialty and department stores. Free People wholesale profitability improved significantly from the prior year when the brand utilized close-out channel sales to reduce aging products. We believe Free People Wholesale could deliver mid-single-digit growth for the full year while the first quarter could exceed that growth for fiscal year ’26.

Now, I am moving on to the Urban Outfitters brand. Urban Outfitters recorded a 3% decline in the Retail segment ‘comp’ for the quarter. This healthy improvement in the current year sales ‘comp’ trend was driven by a high single-digit positive ‘comp’ in Europe offset by a high single-digit negative ‘comp’ in North America. In addition to the improved ‘comp’ sales performance, we are pleased with the growth in the merchandise margin rate, driven by significantly lower markdowns and an improvement in regular price selling. This led to a continued reduction in the brand’s operating loss compared to last year.

In North America the improved sales trend and meaningful maintained margin growth was due to positive regular price ‘comps’. This marks the first time the brand has delivered positive regular price ‘comps’ in North America in over two years. The positive ‘comps’ were the result of strong performance in key categories such as home, women’s accessories as well as denim, and loungewear within women’s apparel.

Last year, the North American team focused on stabilizing the business, realigning strategic priorities and right sizing inventories which led to improved profitability in the third and fourth quarters of fiscal ’25. As we start the new year, the team is pivoting to a renewed focus on growth, beginning with regular price growth. Within women’s apparel the team is building upon the solid growth of denim and lounge, while applying learnings into other bottoms categories, as well as introducing athleisure. We have full confidence in the brand team and their strategies. It’s encouraging to see the progress they are making.

Turning to Urban Outfitters based in Europe. Our European business delivered a positive high single-digit ‘comp’ driven by a double-digit ‘comp’ increase in the digital channel and a mid-single-digit ‘comp’ increase in the store channel. During the quarter the brand drove positive ‘comps’ across apparel, home and accessories. Strong sales ‘comp’, and improved maintained margins fueled a healthy increase in operating profit for the European team.

Based on our current plans, we believe the Global Urban Outfitters brand could deliver a low single-digit negative to flat ‘comp’ for the first quarter and flat to low single-digit positive ‘comp’ for the full year fiscal ’26.

Finally, I will touch on the Nuuly business which delivered another exceptional quarter. Nuuly added over 20,000 average active subscribers versus the third quarter, ending the quarter with 300,000 average active subscribers for the full quarter. The solid growth in average subscribers led in part to a 56% increase in brand revenue. The strong revenue growth in the fourth quarter resulted in expense rate leverage in almost every expense line item which helped deliver a record fourth quarter operating profit and another Nuuly first, its first full year of profitability. Nuuly recorded full year operating profit of \$13 million and mid-single-digit operating profit rate for the year. As we have noted, historically Nuuly experiences the most significant growth in subscribers during the seasonally strong first and third quarters. An already strong start in February bodes well for the Nuuly brand to continue to deliver healthy revenue and profit growth in the first quarter and full year of fiscal '26.

I will now turn the call over to Melanie.

### **Melanie Marein-Efron**

Thank you, Frank, and good afternoon, everyone. On today's call I will discuss our thoughts on the first quarter and full year fiscal '26. The following forward-looking statements reflect comparison to first quarter and full year fiscal '25 results adjusted for certain one-time items.

As we begin FY26, we believe we could deliver mid-single-digit sales growth for the first quarter and full year. This growth could be driven by low single-digit retail segment 'comps' for the first quarter and full year, driven by low to mid-single-digit positive Retail segment 'comps' at the Free People brand and mid-single-digit positive Retail segment 'comps' at Anthropologie. We believe that the Urban Outfitters brand first quarter retail segment 'comp' could be low single-digit negative to flat 'comp' with gradual improvement as the year progresses. Nuuly could deliver double-digit revenue growth for the year driven primarily by continued subscriber growth. Finally, our wholesale segment is planned to achieve mid-single-digit growth for the year while the first quarter could deliver low double-digit revenue growth.

Based on the current sales performance and plans, we believe our gross profit margins could improve by approximately 50 to 100 basis points versus last year for the first quarter and full year FY26. The increase in gross profit rate could be primarily due to lower merchandise markdowns at the Urban Outfitters brand, followed by occupancy and delivery expense leverage.

Based on our current sales performance and financial plan, we believe total growth in SG&A could grow in line with sales growth for the first quarter and year. The growth in SG&A dollars primarily relates to higher marketing expenses to drive growth in customers and sales as well as increased store labor costs related to new store openings and investment in technology to support the needs of our business. As always, if sales performance fluctuates, we maintain a certain level of variable SG&A spending that we can fluctuate up and down depending on how our business is performing.

Our annual effective tax rate is planned to be approximately 24% for the year and 23% for the first quarter.

Now moving onto inventory. We ended FY25 with slightly elevated inventory levels as we intentionally brought in product early to avoid the impact of a potential East Coast port strike. In the coming year, we will continue to be focused on increasing our product turns. We believe that our inventory levels could grow at a rate at or below sales growth.

For FY26 capital expenditures are planned at approximately \$240 million. The FY26 capital project spend is broken down as follows: approximately 50% is related to retail store expansion and support, approximately 25% is related to supporting technology and logistics investments and the remaining 25% is for home office expansion to support our growing businesses.

We will be opening approximately 58 new stores and closing approximately 19 stores during fiscal year '26. Our net new store growth is primarily being driven by growth in FP Movement, Free People and Anthropologie stores. During FY26, we plan on opening 20 FP Movement stores, 16 Free People stores and 15 Anthropologie stores.

Based on current plans, we plan to repurchase shares to at least offset any dilution that may occur in FY26. Of course, share repurchase activity will be contingent on market conditions and board of director authorization.

As a reminder, the foregoing 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 it is my pleasure to turn the call back to Dick Hayne, Chief Executive Officer of URBN.

## **Dick Hayne**

Thank you, Melanie, and congratulations to our teams for an outstanding fourth quarter. The holiday season was exceptional, with consumers eager for fresh fashion and distinctive gifts. Our brand teams created well-executed assortments, captivating in-store experiences, and inspiring marketing campaigns. Customers responded and drove strong revenue gains across all our business segments.

I will now discuss our performance for fiscal year '25 versus prior year results. For the year, we delivered impressive 8% revenue growth, adding nearly \$400M, to reach a record of \$5.6 billion. At the same time our gross profit margin grew by 122 basis points which drove a 22% increase in operating profit. This, in turn, lifted earnings by 26% to \$4.06 per share, and easily made FY25 the most profitable year in URBN history.

Last year, I described our customers' mood as enthusiastic rather than exuberant. I believe this remains an accurate description today. Customer demand has remained remarkably consistent. They're hungry for the latest fashions and our designers and merchants continue to create products and assortments that please them. In short, we're gaining new customers and increasing market share across all segments. For the Retail segment this translates to more traffic to our stores and websites. In FY25, web sessions grew by high-single-digits. For Nuuly, our subscription rental segment, it means capturing more active subscribers and at year's end, average active subscribers increased by more than 50%. The wholesale segment added over 300 new accounts and total sales

increased by 15% for the year. With sales of spring products off to a good start and subscriber counts continuing to grow, we are optimistic that fiscal '26 will produce more record results.

All brands are adding value to the total URBN portfolio. Our two biggest brands – Anthropologie and Free People – have shown consistent revenue growth and produced healthy mid-teen operating profit margins. Nuuly and FP Movement are two of the most exciting, high-growth concepts in the market today. Both are nicely profitable, and both continue to expand brand awareness and demonstrate the potential to scale further. Lastly, the Urban Outfitters brand has stabilized in North America and is showing recent improvement in profitability. That team is now focused on acquiring new customers and driving profitable, full-priced sales.

In Europe, Urban is once again posting strong 'comp' sales after a brief hiatus in the first half of FY25. I'm excited by our entire portfolio of brands. We see opportunity to drive solid revenue growth while expanding margins in FY26 and beyond. We're confident that URBN is poised for continued success.

In closing, I congratulate and thank our Co-Presidents, Meg and Frank; our brand leaders, Tricia, Shelia, and Dave; their merchant, creative and operating teams; our Shared Service teams, and our 28,000 associates worldwide. Their collective efforts produced another record year, and I thank them. I also recognize and thank our many partners around the globe. And finally, I thank our shareholders for their continued support.

That concludes our prepared remarks. I now turn the call over for your questions.