

URBAN OUTFITTERS, INC.

First Quarter, FY'26 Conference Call
May 21, 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 first quarter fiscal 2026 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three-month period ending April 30, 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.

I will now turn the call over to Dick.

Dick Hayne

Thanks, Oona, and good afternoon, everyone.

We're excited to share that Q1 was another record-breaking quarter for URBN. Both sales and profits exceeded our expectations and easily outpaced last year's Q1 results.

You'll hear more about these strong results from Frank Conforti, our Co-President and COO. Then Melanie Marein-Efron, our CFO, will walk you through our outlook for Q2 and beyond. I'll wrap things up with a few closing thoughts before we open it up for your questions.

Now, over to Frank.

Frank Conforti

Thank you, Dick, and good afternoon, everyone.

Today, I'm excited to share our company's first-quarter results compared to last year, and then I'll dive into some detailed notes by brand.

Overall, our teams delivered another outstanding quarter, exceeding our plans as we discussed on the recent fourth quarter conference call. Total URBN sales grew by 11%, hitting a Q1 record of \$1.3 billion. All of our brands delivered positive sales 'comps', and four of our five brands performed exceptionally well, posting record first-quarter sales. Urban Outfitters also continued to make significant strides, as the brand posted the first positive sales 'comp' in quite some time and delivered continued progress in reducing its operating loss compared to last year.

Our sales growth was partly driven by a 5% increase in the Retail segment 'comp'. URBN 'comps' were positive in both channels with stores outperforming digital. Nuuly delivered impressive 60% revenue growth, with a 53% increase in average active subscribers. Additionally, the Wholesale segment saw a 24% revenue increase, driven by a healthy rise in full-price sales at Free People.

Now, let's talk about gross profit. URBN saw a 20% increase in gross profit dollars, reaching a record \$489 million. The gross profit rate also improved nicely by 278 basis points, which includes non-recurring benefits of 74 basis points, rising to 36.8%. The remaining 204 basis point increase was due to better gross margins across all segments. The improvement in gross margins was due to leverage on occupancy and delivery expenses and lower markdowns, largely driven by the Urban Outfitters brand.

In the quarter, SG&A increased by 8.1%, leveraging by 65 basis points. The growth in SG&A dollars was primarily driven by increased marketing spend, which fueled sales growth for all brands. The marketing efforts drove increases in traffic and transactions, both in stores and online for total URBN, while Nuuly's campaigns resulted in healthy double-digit growth in average active subscribers.

Overall, total URBN operating income rose by 72% compared to last year, reaching \$128 million, while the operating profit rate improved by over 340 basis points to 9.6%. Net income saw a 75% increase to \$108 million or \$1.16 per diluted share.

Moving on to brand performance, starting with Anthropologie. The Anthropologie team had another fantastic quarter, achieving a 7% increase in their retail segment 'comp' which marks four years of consecutive quarterly positive 'comps'. This success was fueled by equal strength in the digital and store channels, both of which benefited from increased traffic. Every category saw positive regular price and total sales 'comps', with strong performance across all apparel categories, in addition to shoes, accessories, beauty and home accessories.

The team at Anthropologie continues to do an excellent job with their strategy to expand their product offerings to fit their customers' full lifestyle. As mentioned on the last call, the brand recently launched Celandine, an exclusive in-house resort wear label that offers year-round vacation-ready styles. This category's growth has exceeded our expectations. Alongside Celandine, Daily Practice and the expanded assortment of intimates and loungewear are also seeing impressive growth, and we believe these could become significant categories in the future. Turning to the home category, the brand saw impressive growth driven by the increase in home accessories and textiles, both of which are benefiting from consumers' desire to refresh their homes. The team has focused on incorporating more newness into these categories, catering to consumers' desire for more frequent updates for their homes.

The brands' ability to create compelling product assortments in conjunction with strategic marketing investments and exceptional creative content have enabled them to succeed in their goal of attracting new, younger customers while deepening engagement with their existing ones. The brand drove growth across new, retained and reactivated customers in the quarter. These efforts led to strong traffic increases in both stores and digital during the first quarter.

The Anthropologie brand delivered exceptional top line growth and the tenth straight quarter of double-digit operating profit growth resulting in a record first quarter operating income. Based on our current plans, we believe the Anthropologie Group could deliver a mid-single-digit positive retail segment 'comp' in Q2.

Next, I want to highlight the fantastic performance of the Free People team this quarter. They delivered an 11% increase in total retail and wholesale segment sales and double-digit operating profit growth for the brand. Their double-digit sales growth was driven by a 3% Retail segment 'comp', a 26% rise in Free People Wholesale segment revenues, and over 200% increase in 'non-comp' sales.

The positive retail segment 'comp' was driven by a low single-digit 'comp' in both the stores and digital channel. Throughout the quarter, Free People saw positive 'comp' sales growth across all major categories. The FP Movement brand also delivered robust total retail and wholesale segment sales growth of 29%, driven by total retail segment growth of 16%, a 6% Retail segment 'comp', and explosive 78% growth in FP Movement Wholesale segment revenue. 'Non-comp' sales growth was boosted by the opening of 43 new stores, including 14 Free People brand and 29 FP

Movement brand locations, over the past 12 months. Based on our current plans, we believe the Free People's Group Retail segment could deliver a mid-single-digit positive 'comp' in Q2.

Free People Wholesale revenues increased by 26% during the quarter, driven by full-price sales gains in specialty and department stores. The profitability of Free People Wholesale improved significantly from the prior year.

Now, let's move on to the Urban Outfitters brand. Urban Outfitters recorded a positive 2% global retail segment 'comp' for the quarter. Congratulations to the teams on much improved business and the first positive 'comp' in some time. North America recorded a negative -4% retail segment 'comp' and Europe an exceptionally strong positive 14% retail segment 'comp'. The total global 'comp' was driven by positive store 'comps', partially offset by negative digital 'comp' in North America. The digital business in North America continues to anniversary heavy promotional activity from the prior year, which will begin to abate after the second quarter this year. Positive global 'comps' were a result of strong regular price business in most categories in both channels which led to a significant reduction in markdowns versus last year and an improvement in profitability levels for the brand.

In North America, the teams continue to focus on the pillars of transformation strategy Shea spoke to last year; focus on the customer, evolving the product assortment, rebuild our customer base, adapt our channels to offer a more relevant experience and deliver profitable growth. The teams have evolved the product assortment to be more relevant for the customer. Denim, lounge, accessories and home sales were all 'comp' positive in the quarter. Notable market brands have been added to the assortment including a successful Baggu collaboration and the recent addition of the Nike brand, currently available online and in 40 stores. Regular price sales for the brand were positive for the second consecutive quarter and accelerated from Q4 last year showing continued improvement in the product offering, inventory management, and marketing campaigns. Marketing and creative efforts have improved significantly. Our focus on acquiring new customers has been successful with positive growth in new customers, entering the brand in the right demographic. Lastly, as mentioned before, the brand showed an improvement in profitability versus last year largely due to a lower markdown rate.

Now turning to Europe. Our European business delivered a 14% 'comp', driven by double-digit 'comp' increases in the digital and store channels. During the quarter, the brand achieved positive 'comps' across apparel, home, and accessories. Strong sales 'comps' 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 positive 'comp' for the second quarter.

Finally, let's touch on the Nuuly business, which delivered another exceptional quarter. Nuuly added over 40,000 average active subscribers since the end of the fourth quarter and has grown average active subscribers by over 110,000 compared to the prior year. This beat even our most optimistic expectations. This growth in average subscribers contributed to a 60% increase in brand revenue and added nearly 400 basis points of revenue growth to total URBN top line. The strong revenue growth in the first quarter resulted in leverage in almost every expense line item, helping

to deliver a record first-quarter operating profit of over 5%. The current momentum in the Nuuly business has continued into May where we now sit above 380,000 active subscribers. The performance at Nuuly over the past year has fortified our confidence that our business model is strong, and the rental market opportunity is very large. We are thrilled that Nuuly now appears to be leading the industry with an opportunity to continue to see significant growth. Based on our current plans, we believe Nuuly could deliver a healthy double-digit revenue and profit growth in the second quarter.

Now moving on to tariffs. We would like to give you as much clarity as possible but unfortunately you all know this is not possible given the continued uncertainty with news on tariffs changing daily. We can only offer our perspective based on what we know today. Our current assumptions are based on a 10% global tariff on all items entering the US, except for items from China, where we are assuming a 30% tariff.

First, I want to acknowledge the amazing work our sourcing, brand and logistics teams have done. Over the last several years the teams have worked hard to diversify our countries of origin as well as dual source most of our own brand products. This means many of our products are made in two different origins, enabling us to shift production from one country to another if needed. We currently have no single country that accounts for more than 25% of our production. India, Vietnam, and Turkey are our three largest countries of origin, while China represents less than 5%.

Quickly after the announcement of tariffs, our teams started working on how to mitigate the impacts with a primary focus on the customer's experience. We are working hard towards minimizing the impact on the consumer. We have several mitigation tactics that we have been working on; first, negotiating better terms with our vendors; second, shifting our countries of origin where possible; third, shifting our mode of transportation from air to boat; and lastly, gently and sparingly raising some prices. Please note that any price increases will be very strategic, protecting opening price points and only targeting areas where we believe we could raise prices without affecting the overall customer experience.

As of today, based on the previously stated assumptions, we believe that tariffs could have a minimal negative impact on gross margins in the second quarter and potentially a negative 20 basis points impact in the back half of the year. Although tariffs present a temporary headwind to our business, we are confident in our ability to manage through this environment and still achieve 50 to 100 basis points of gross margin improvement for Fiscal Year 2026. Again, I want to stress that this plan is based on what we know today.

In summary, it was an exceptional quarter. All brands delivered positive sales 'comps', both the Wholesale and Subscription segments drove double-digit sales growth, and all brands and geographies recorded healthy operating income improvement, we could not be prouder of the teams and their amazing execution.

I will now turn the call over to Melanie.

Melanie Marein-Efron

Thanks, Frank, and good afternoon, everyone.

Let me walk you through how we're thinking about our second quarter financial performance.

We're off to a solid start this quarter, and based on what we're seeing so far, we are planning for total company sales to grow in the high single-digits. In our retail segment, 'comps' sales could grow mid-single-digit, driven by mid-single-digit positive retail segment 'comps' at Anthropologie and Free People brands while Urban Outfitters brand could be low single-digit positive 'comps'. At Nuuly, the brand could deliver mid-double-digit revenue growth, driven by continued subscriber momentum. Finally, our wholesale segment could produce low double-digit growth.

As Frank mentioned, we believe gross profit margins could improve by about 50 to 100 basis points compared to last year, both for the second quarter and the full fiscal year. This improvement could come from lower markdowns at Urban Outfitters and occupancy leverage, partially offset by lower initial product margins due to higher U.S. tariffs. Our current assumptions on tariffs are based on 10% global tariff on all items entering the US, except for items from China, where we are assuming a 30% tariff.

Turning to SG&A, we expect expenses to grow roughly in line with sales based on current sales performance and plans. The planned growth in SG&A is mainly driven by higher marketing spend to support customer and sales growth, along with increased store labor costs related to new store locations. 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're planning for an effective tax rate of about 23.5% for Q2 and the full year.

Now, onto inventory. While our teams continue to focus on increasing inventory turns, the uncertainty around tariffs means we are likely to bring in fall product a bit earlier. Because of that, inventory growth in Q2 may grow at a rate above 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.

Lastly, we're planning to open approximately 64 new stores and close approximately 17 this fiscal year. Most of our net new store growth will come from FP Movement, Free People, and Anthropologie. Specifically, we're planning 25 new FP Movement stores, 15 new Free People stores, and 16 new Anthropologie stores.

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.

With that, I'll hand it back over to Dick.

Dick Hayne

Thanks, Melanie.

What a fantastic start to the year. Operating profit came in just shy of our ambitious 10% goal – an incredible achievement. Huge congratulations to all URBN teams for delivering such impressive results.

Despite the noise in the headlines and broader economic uncertainty, our customers continued to show resilience in Q1. We haven't seen any signs of a demand slowdown. In fact, customers were eager for fresh spring fashion – and our teams delivered. From compelling assortments to standout store experiences, and inspiring marketing, we exceeded their expectations. The result? Positive 'comps' across every brand and every segment.

This performance speaks volumes about the strength of our strategies, the quality of our execution, and the appeal of our brands. Most of all it affirms the talent of our leaders and their teams. We're attracting new customers, keeping our loyal ones, and growing our market share across the board.

Each brand is playing a valuable role in the URBN portfolio. Anthropologie and Free People, our two larger brands, continue to grow revenue and deliver healthy mid-teen operating margins. FP Movement is growing faster than its sister brand, thanks to new store openings and strong wholesale demand. And Nuuly, our women's apparel rental business, is one of the most exciting, high-growth concepts in the market today. Both FP Movement and Nuuly are nicely profitable, gaining brand awareness, and showing real potential to scale.

Urban Outfitters North America is making steady progress. Stores were 'comp' positive for the quarter and the number of new, full-price customers grew nicely. In Europe, after a slower start in Q1 last year, Urban delivered powerful 'comp' sales gains that led to a jump in profitability.

All in all, I'm delighted with how our brands are performing. Yes, we're keeping a close eye on supply chain risks and global uncertainty. But as Frank said, based on what we know today, we believe we can continue to grow revenue and expand margins – not just in Q2, but for the full year and beyond. We're confident URBN is well-positioned for continued success.

Before we move to Q&A, I want to thank our Co-Presidents, Meg and Frank; our brand leaders – Tricia, Shelia, and Dave – and their incredible teams across merchandising, creative, and operations. I also want to recognize our Shared Services teams and our 28,000 associates around the world. Your hard work made this record quarter possible, so thank you.

To our global partners, thank you for your cooperation as we work together to navigate the new trade rules. And, to our shareholders, thank you for your continued support.

That wraps up our prepared remarks. Now, let's take your questions.