URBAN OUTFITTERS, INC.

Third Quarter, FY'10 Conference Call
November 12, 2009

Participants

Glen Senk	Chief Executive Officer
John Kyees	Chief Financial Officer
Meg Hayne	President, Free People
Ted Marlow	President, Urban Outfitters
Glen Bodzy	General Counsel
Bill Cody	Chief Talent Officer
Frank Conforti	Controller
Calvin Hollinger	Chief Information Officer
Wendy McDevitt	Chief Operating Officer, Anthropologie
Bob Ross	Executive Director of Finance
Wendy Wurtzburger	Chief Merchandising Officer, Anthropologie
Freeman Zausner	Chief Administrative Officer
Dave Ziel	Chief Development Officer

Introduction

Good morning. It's my pleasure to welcome you to the URBN quarterly conference call. Joining me today are John Kyees, our Chief Financial Officer and our senior team including the majority of our brand and operational leads.

Earlier today the Company issued a press release outlining the financial and operating results for the three and nine month periods ending October 31st, 2009. I will begin today's call by reading prepared remarks regarding our performance; then the group and I will be pleased to answer any questions you may have.

The text of today's conference call can be found on our corporate website at www.urbanoutfittersinc.com.

Highlights

We are proud to report record-breaking results this quarter. The following summarizes our Third Quarter Fiscal 2010 performance versus the comparable quarter last year:

- Net sales increased 6% to $506 million.
- Income from operations grew 6% to a record $96 million, resulting in an operating margin of 19%.
- Net income increased to a record $62 million or $0.36 per diluted share.
- Comparable Retail Segment sales, which includes our Direct-to-consumer channel, rose by 2%.
- Comparable store sales declined 2%, with a gain of 3% at Anthropologie and decreases of 13% and 5% at Free People and Urban Outfitters respectively.
- Direct-to-consumer sales surged 21% despite a strategic 11% reduction in circulation; all three brands posted double-digit increases.
- Wholesale Segment revenues declined 10% to $30 million.
- Gross profit margins increased 65 basis points, driven by significant gains in initial margins that more than offset an increase in merchandise markdowns to clear seasonal product.
- Comparable store inventories were 15% lower at quarter's end.
- Selling, general and administrative expenses, expressed as a percentage of sales, increased 63 basis points; this increase was primarily associated with fixed expense rates that were impacted by the reduction in comparable store sales and by the accrual of additional incentive-based bonus related to our expectation to meet targeted improvements in annual performance and earnings.
- Finally, Cash, Cash Equivalents and Marketable Securities grew by $228 million to $652 million.

I'll begin today by providing more detail on each of our key business metrics for the quarter, starting with sales:

Retail Sales

New and non-comparable store sales contributed $25 million, including an offset of $6 million in currency translation adjustments for foreign-based sales.

The Company opened 10 new stores in the quarter—6 Anthropologie stores, 1 Free People store and 3 Urban Outfitters stores. Following in Urban Outfitters footsteps, Anthropologie opened its first European store on Regent Street in London. The store, which opened at the end of October, generated the second best opening day sales in our history and continues to run favorably to plan. For those of you who weren't able to get to London for the opening, I encourage you to Google "Anthropologie Regent Street London" to take a virtual tour of the store and read the myriad of digital and traditional press coverage.

Within the quarter, comparable store sales performance improved each month, and turned positive in September and October. By region, sales at Anthropologie and Urban Outfitters were strongest in the South while sales at Anthropologie were less robust in the Midwest and sales at Urban Outfitters lagged on the West coast. By store venue, sales were strongest in malls for both brands, while less strong in metropolitan locations for Anthropologie, and weakest in college towns for Urban Outfitters.

For stores, transaction counts were up 5%, with increases of 10%, 15% and 2% at Anthropologie, Free People and Urban Outfitters respectively. Average unit selling prices decreased by 2%—down 1%, 23% and 3% at Anthropologie, Free People and Urban Outfitters respectively. Units per transaction decreased 5% on average—down 5%, 2% and 4% at Anthropologie, Free People and Urban Outfitters respectively.

Direct sales increased 21% to $80 million despite a strategic circulation decrease of 11%. The penetration of Direct-to-consumer sales to net sales as a whole increased 2 percentage points to 16%, highlighting a secular shift in the way our customer is shopping. The results were driven by nearly 22 million website visits, a gain of 27% or nearly five million additional visits.

The Direct-to-consumer channel was double-digit positive across all brands, and our strategic investments in assortment, site experience, fulfillment and social media have all yielded high returns.

By merchandise category, women's accessories led the pace at Anthropologie and men's and women's apparel were strongest at Urban Outfitters, and as we've communicated consistently throughout the year, there are powerful fashion cues in our business.

Analysts and shareholders have continually asked me to comment on how we are responding to the "new normal", and whether or not we'd be strategically lowering prices. I've responded consistently by saying that we'll continue to offer an eclectic range of prices, and that the customer will ultimately decide the average ticket.

While there is minimal evidence of price elasticity on compelling product, the customer is certainly more discriminating. She expects more value for money, which in our world, doesn't necessarily equate to a lower price—it means she's looking for authenticity, scarcity, freshness, compelling differentiated product and a meaningful emotional connection that's born from a shared set of aspirations and values. I believe this emphasis on value—and values—plays to our strengths. It is how we ran our business before the economic reset, it is why we believe our customers shops with us, and therefore it is how we will continue to run our business in the future.

I would also like to spend a moment addressing our comparable store inventories which were 15% lower at quarter's end. Let me be unequivocally clear: the brand presidents and I are very comfortable with our inventory position. Our team—employees and suppliers alike—have worked tirelessly over the last several years to improve our planning and allocation process, reduce merchandise costs, improve merchandise quality and, most importantly, add an unprecedented level of speed and flexibility within our supply chain. You are seeing the results of their considerable intellect and effort. We will continue to focus on achieving appropriate reductions in our inventory weeks-of-supply because we believe it positively impacts the customer experience, and ultimately results in improvement to maintained margins.

Wholesale Sales

I'd now like to turn your attention to our Wholesale Segment for the Third Quarter.

With the addition of Leifsdottir, revenue declined by 10%.

Free People's wholesale revenue decreased by 15% in the quarter, with sales to department stores decreasing by 8% and sales to specialty stores decreasing by 26%, in large part due to changes in customer credit quality. The brand's average unit selling price decreased 12% and unit sales declined 3%. I believe Free People outperformed most brands on the contemporary floor, and we ended the quarter achieving our desired inventory plan with all of our major partners. While holiday deliveries are modestly below last year, it is likely the current trend will continue over the short term.

Leifsdottir, the Company's new wholesale line, continued to gain momentum by generating revenue of $2.9 million. With slightly more than a year's deliveries behind us, we have every reason to believe that, in the long-term, Leifsdottir can contribute meaningfully to the Company's top and bottom line, and accordingly, we are planning for accelerated growth.

Gross Margin, SGA and Income

I'd like to now turn your attention to gross margin, operating expense and income.

Gross Margin

Gross margins for the quarter increased 65 basis points to 41.5%. The Company continued to experience significant gains in initial margin, which were partially offset by an increase in markdowns to clear seasonal product.

While we are unwilling to be specific, we believe we have continued initial margin opportunity, and we also believe we have opportunity to improve our maintained margins by reducing our markdown levels to our historic average.

SG & A

The organization continued to exhibit exceptional discipline in aggressively controlling expenses while simultaneously making strategic investments in design, the supply chain, technology, our Direct-to-consumer businesses and our European infrastructure.

Total selling, general and administrative costs for the quarter, as a percent of sales, rose by 63 basis points to 22.6%, primarily due to fixed expense rates that were impacted by the reduction in comparable store sales and by the accrual of additional incentive-based bonus related to our expectation to meet targeted improvements in annual performance and earnings.

Income

The Company generated an impressive 19% operating margin, earning a record $96 million of income from operations, an increase of 6% versus the same quarter last year. We also achieved our highest-ever net income for a quarter—$62 million, an increase of 5% from the prior year, with earnings per diluted share of $0.36.

The Company's quarterly tax rate rose 70 basis points to 36.1% versus the prior year's comparable quarter but declined versus the second quarter rate of 38.2%. The increase was primarily due to tax rate increases in certain municipalities where we have sizeable volumes of business, and a lower proportion of holdings income from tax-free securities based on a strategic shift to lower-risk investments. The Company's current annual effective tax rate is estimated at 37% as of October 31, 2009.

Closing Comments

What an extraordinary couple of years it's been. Our team navigated through the first nine months of calendar 2008 posting the best results in our Company's history. Then virtually overnight, at the end of the third quarter in 2008, more than six weeks after the Lehman collapse, our business abruptly decelerated. Losing nearly $60 million in anticipated fourth quarter revenue, I believe our team responded brilliantly to the unprecedented challenge—adjusting the level and content of inventory, strategically managing expenses and investments, all while dedicating a meaningful portion of mindshare to get ahead of the immediate challenges and gain insight into the "new normal"—so that we will ultimately grow market share, revenue and profit in the post-recession, post-Web 2.0 world.

We won't spend time today giving you our thoughts on where we are in the economic cycle. We read many of the same reports you read and we study the same indicators. We'd prefer to focus on the things we can control, working hard to achieve strategic and operational excellence.

The retail landscape has always been dynamic, but the pace of change continues to gain velocity—the customer is changing; there's a new definition of luxury; a new definition of value; a new set of values; and of course, there's the Internet, which I'd call the single largest, most disruptive change of our generation. With change comes opportunity—and I believe our organization is well positioned to mine that opportunity and successfully transform our business for the next generation of consumers.

Our team has proven that they are adept at driving profit in the face of challenging fundamentals and they are similarly committed to growth, with continued focus on four main strategies:

- Increasing productivity in all of our core businesses
- Elevating the penetration of Direct-to-consumer sales to Company sales as a whole
- Driving international expansion
- And adding new brands to the URBN portfolio

None of this happens without people—without a deep, tenured, aligned and committed team. As I look back over the last year I am profoundly grateful to Dick, to our board and to our employees. We were fortunate in that we entered the challenging environment with strong fundamentals—an exceptional operating model, deep cash reserves, and most importantly, a world class organization. I strongly believe that, appropriately managed, challenging times generate renewal and strength—including heightened discipline and greater creativity—and I believe that our third quarter results illustrate our progress in that regard.

Our Company's overarching goal has been constant and simple: to grow revenue by at least 20%, to grow profit at a faster rate than sales, and to reach a minimum of 20% operating margin. As always, the leadership team and I look forward to continuing to inspire our customers and reward our shareholders and employees alike.

<u>Q & A</u>

I will now open the call to questions, and in the interest of time management, I ask each of you to limit yourselves to one question. Thank you.