

Urban Outfitters, Inc.

FY'21 Q3 RESULTS





Introduction

Urban Outfitters, Inc. “URBN” is providing fiscal 2021 third quarter commentary ahead of our earnings call scheduled for November 23rd at 5:00pm.

We remind you that any forward-looking statements made in this commentary are subject to our safeharbor 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, 2020	October 31, 2019
URBN Net Sales Change	-1.8%	1.4%
Gross Profit*	33.3%	32.5%
Selling, General and Admin. Expenses*	23.1%	24.9%
Income from Operations*	10.2%	7.6%
Earnings Per Diluted Share	\$ 0.78	\$ 0.56

URBN sales for the third quarter declined by 2% to \$970 million. The decrease in sales was due to a 24% decline in Wholesale segment sales, while Retail segment sales were flat. Retail segment sales comp was also flat.

Gross profit dollars increased by 1% to \$323 million for the quarter, while gross profit rate increased 79 bps to 33.3%. The increase in gross profit rate was due in part to record low merchandise markdowns in the Retail segment. The record low Retail segment markdown rate was driven by improvement at all three brands with the Urban Outfitters and Free People brands recording significant improvement. The Wholesale segment also delivered healthy improvement in merchandise margins due to lower discounts and allowances. Additionally, gross profit improved as a result of the benefits associated with negotiated rent concessions with landlords and European government assistance programs. These were partially offset by an increase in delivery and logistics expense primarily due to the penetration of the digital channel.

Selling general & administrative ('SG&A') expenses decreased by 9% to \$224 million while SG&A as a % of sales leveraged by 175 bps to 23.1%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management and overall expense control. Digital marketing expenses grew during the quarter to support the strong digital sales and customer growth.

Operating income dollars increased by 31% to \$99 million while operating income rate improved by 254bps to 10.2%. The increase in dollars was due to the SG&A leverage and improvement in gross profit rate in the quarter.

Net Income for the quarter was \$77 million or \$0.78 per diluted share, a new Q3 EPS record.

*expressed as a percent of net sales



Sales by Segment

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2020	October 31, 2019	\$	%
Total Sales	\$ 969.6	\$ 987.5	\$ (17.9)	-2%
Retail Segment	\$ 895.6	\$ 897.2	\$ (1.6)	flat
Anthropologie Group	358.7	394.4	(35.7)	-9%
Free People	143.2	123.1	20.1	16%
Urban Outfitters	390.0	372.9	17.1	5%
Menus & Venues	3.7	6.8	(3.1)	-46%
Retail Segment By Geography				
North America	789.9	800.0	(10.1)	-1%
Europe and ROW	105.7	97.2	8.5	9%
Wholesale Segment	\$ 67.3	\$ 88.3	\$ (21.0)	-24%
Anthropologie Group	(0.2)	4.3	(4.5)	n/a
Free People	63.5	82.4	(18.9)	-23%
Urban Outfitters	4.0	1.6	2.4	154%
Subscription Segment	\$ 6.7	\$ 2.0	\$ 4.7	232%

Total Company or URBN sales for the third quarter decreased by 2% to \$970 million. URBN Retail segment sales were flat at \$896 million. Retail segment sales comp was also flat. Retail segment sales experienced lower store productivity due to reduced store traffic which was offset by a strong double-digit increase in the digital channel.

URBN Wholesale segment sales for the third quarter declined 24% to \$67 million. The decline in sales was primarily due to most of our wholesale partners having reduced customer demand during the quarter.

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	October 31, 2020	October 31, 2019	\$	%
Total Sales	\$ 358.5	\$ 398.7	\$ (40.2)	-10%
Retail Segment	\$ 358.7	\$ 394.4	\$ (35.7)	-9%
Sales by Geography				
North America	342.7	378.6	(35.9)	-9%
Europe and ROW	16.0	15.8	0.2	1%
Wholesale Segment	\$ (0.2)	\$ 4.3	\$ (4.5)	n/a
North America	(0.2)	4.0	(4.2)	n/a
Europe and ROW	-	0.3	(0.3)	-100%

Total Anthropologie Group brand sales decreased by 10% to \$358 million.

The decline in Anthropologie sales during the quarter primarily related to a 9% decline in Retail segment sales. The decline in Retail segment sales was driven by lower store productivity due to reduced store traffic which was only partially offset by a strong double-digit increase in the digital channel. By product category, home, beauty and Terrain led the way while apparel, accessories and BHLDN were negative.



Revenue Metrics

free people

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2020	October 31, 2019	\$	%
Total Sales	\$ 206.7	\$ 205.5	\$ 1.2	1%
Retail Segment	\$ 143.2	\$ 123.1	\$ 20.1	16%
Sales by Geography				
North America	138.9	119.5	19.4	16%
Europe and ROW	4.3	3.6	0.7	20%
Wholesale Segment	\$ 63.5	\$ 82.4	\$ (18.9)	-23%
North America	60.2	78.3	(18.1)	-23%
Europe and ROW	3.3	4.1	(0.8)	-21%

Total Free People brand sales increased by 1% to \$207 million for the quarter. This increase was due to an impressive increase in Retail segment sales of 16%, which was partially offset by a 23% decline in Wholesale segment sales.

The growth in Retail segment sales was due to strong double-digit digital channel growth more than offsetting lower store productivity due to reduced store traffic. By product category, all categories delivered growth with movement delivering exceptional growth in the quarter followed by beauty, intimates, accessories and apparel.

Wholesale segment sales declined by 23% due to most of Free People's wholesale partners having reduced customer demand during the quarter.



Revenue Metrics

URBAN OUTFITTERS

(\$ in millions)
(unaudited)

	Three Months Ended		Variance	
	October 31, 2020	October 31, 2019	\$	%
Total Sales	\$ 394.0	\$ 374.5	\$ 19.5	5%
Retail Segment	\$ 390.0	\$ 372.9	\$ 17.1	5%
Sales by Geography				
North America	304.6	295.1	9.5	3%
Europe and ROW	85.4	77.8	7.6	10%
Wholesale Segment	\$ 4.0	\$ 1.6	\$ 2.4	154%
North America	2.1	1.1	1.0	96%
Europe and ROW	1.9	0.5	1.4	274%

Total Urban Outfitters brand sales increased by 5% to \$394 million for the quarter.

The increase in Urban Outfitters sales during the quarter was primarily driven by a 5% increase in Retail segment sales. The growth in Retail segment sales was due to strong double-digit digital channel growth more than offsetting lower store productivity due to reduced store traffic. By product category, the growth was driven by home, partially offset by declines in the other product categories.



Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	October 31, 2020	October 31, 2019	\$	%
Gross Profit* \$'s	\$ 322.9	\$ 321.1	\$ 1.8	1%
Gross Profit* %	33.3%	32.5%		
Retail Segment				
Gross Profit \$'s	\$ 301.5	\$ 304.6	\$ (3.1)	-1%
Gross Profit %	33.7%	34.0%		
Wholesale Segment**				
Gross Profit \$'s	\$ 20.6	\$ 18.5	\$ 2.1	12%
Gross Profit %	30.7%	20.9%		
Subscription Segment				
Gross Profit \$'s	\$ 0.8	\$ (2.0)	\$ 2.8	n/a

Total Company gross profit dollars increased by 1% to \$323 million for the quarter, while gross profit rate increased 79 bps to 33.3%. The increase in gross profit rate was due in part to record low merchandise markdowns in the Retail segment. The record low Retail segment markdown rate was driven by improvement at all three brands with the Urban Outfitters and Free People brands recording significant improvement. The Wholesale segment also delivered healthy improvement in merchandise margins due to lower discounts and allowances. Additionally, gross profit improved as a result of the benefits associated with negotiated rent concessions with landlords and European government assistance programs. These were partially offset by an increase in delivery and logistics expense primarily due to the penetration of the digital channel.

Retail segment gross profit decreased 1% to \$301 million while the Retail segment gross profit rate declined 29 bps to 33.7% for the quarter. The decrease in gross profit rate in the current year quarter was due to an increase in delivery and logistics expense primarily due to the penetration of the digital channel. This was mostly offset by lower merchandise markdowns and the benefits associated with negotiated rent concessions with landlords and European government assistance programs.

Wholesale segment gross profit increased 12% to \$21 million while the Wholesale segment gross profit rate increased to 30.7%. The increase in gross profit dollars and gross profit rate was primarily due to the impact of our inventory reserves being lower than the prior year quarter as a result of improved sales trends, disciplined inventory control and lower markdowns, which more than offset the decline in sales.

The Subscription segment had gross profit of \$0.8 million for the quarter. We continue to leverage into our investments and work to achieve greater operating efficiency.

*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, 2020	October 31, 2019	\$	%
SG&A* \$'s	\$ 224.4	\$245.8	\$ (21.4)	-9%
SG&A* %	23.1%	24.9%		

SG&A expenses decreased by 9% to \$224 million while SG&A as a % of sales leveraged by 175 bps to 23.1%. The leverage in SG&A as a rate to sales was primarily related to disciplined store payroll management and overall expense control measures. Digital marketing expenses grew during the quarter to support the strong digital 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, 2020	October 31, 2019	\$	%
Operating Income \$'s	\$ 98.5	\$ 75.3	\$ 23.2	31%
Operating Income %	10.2%	7.6%		
Retail Segment				
Operating Income \$'s	\$ 102.0	\$ 83.7	\$ 18.3	22%
Operating Income %	11.4%	9.3%		
Wholesale Segment*				
Operating Income \$'s	\$ 15.1	\$ 10.5	\$ 4.6	43%
Operating Income %	22.4%	11.9%		
Subscription Segment				
Operating Loss \$'s	\$ (4.0)	\$ (6.3)	\$ 2.3	-37%
General Corporate Expenses \$'s	\$ 14.6	\$ 12.6	\$ 2.0	15%

Operating income dollars increased by 31% to \$99 million while operating income rate improved by 254 bps to 10.2%. The increase in dollars was due to the SG&A leverage and improvement in gross profit rate in the quarter.

Retail segment operating income increased by 22% or \$18 million to \$102 million for the quarter. The increase in operating income was primarily due to the disciplined store payroll management and overall expense control measures.

Wholesale segment operating income increased by 43% or \$5 million to \$15 million. The increase in operating profit was due to the increase in gross profit dollars and overall expense control measures.

Subscription segment operating loss was \$4 million for the quarter.

General corporate expenses increased by \$2 million primarily due to severance expense.

* Net of intersegment elimination



Income Statement Summary

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

Three Months Ended

	October 31, 2020	% of Net Sales	October 31, 2019	% of Net Sales
Net Sales	\$ 969.6	100%	\$ 987.5	100%
Cost of Sales	<u>646.7</u>	<u>66.7</u>	<u>666.4</u>	<u>67.5</u>
Gross Profit	322.9	33.3	321.1	32.5
Selling, General and Admin. Expenses	<u>224.4</u>	<u>23.1</u>	<u>245.8</u>	<u>24.9</u>
Income from Operations	98.5	10.2	75.3	7.6
Other (Loss) Income, Net	<u>(0.9)</u>	<u>(0.1)</u>	<u>0.5</u>	<u>0.1</u>
Income Before Income Taxes	97.6	10.1	75.8	7.7
Income Tax Expense	<u>20.9</u>	<u>2.2</u>	<u>20.1</u>	<u>2.1</u>
Net Income	\$ 76.7	7.9%	\$ 55.7	5.6%
Diluted Share Count	98.6		98.6	
Earnings Per Diluted Share	\$ 0.78		\$ 0.56	

The effective tax rate for the third quarter was 21% compared to 27% in the prior year quarter. The change in the effective tax rate was primarily driven by the impact of the year-to-date operating loss compared to operating income in the prior year period.

Net Income was \$77 million or \$0.78 cents per diluted share for the third quarter.



Balance Sheet Summary

(\$ in millions)
(unaudited)

	October 31, 2020	October 31, 2019
Assets		
Cash and Cash Equivalents	\$ 625	\$ 167
Marketable Securities	-	171
Accounts Receivable, Net	87	100
Inventory	489	532
Other Current Assets	171	143
Total Current Assets	1,372	1,113
Property and Equipment, Net	931	891
Operating Lease ROU Assets	1,101	1,119
Marketable Securities	9	83
Other Assets	118	115
Total Assets	\$ 3,531	\$ 3,321
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 350	\$ 233
Current Operating Lease Liabilities	255	214
Other Current Liabilities	342	264
Total Current Liabilities	947	711
Non-Current Operating Lease Liabilities	1,069	1,119
Long-Term Debt	-	-
Deferred Rent and Other Liabilities	84	61
Total Liabilities	2,100	1,891
Total Shareholders' Equity	1,431	1,430
Total Liabilities and Shareholders' Equity	\$ 3,531	\$ 3,321

As of October 31, 2020, Inventory decreased 8% to \$489 million, primarily due to an 11% decrease in Retail segment comp inventory.

As of October 31, 2020, cash and marketable securities totaled \$634 million with \$0 drawn down on our \$350 million asset backed line of credit facility. The Company paid down \$120 million of previously drawn credit facility funds during the quarter.

URBN Inventory Data

(\$ in millions)
(unaudited)

	October 31, 2020	October 31, 2019	Variance	
			\$	%
URBN Inventory	\$ 498.2	\$ 531.6	\$ (42.4)	-8%
Retail Segment by Brand	\$ 450.3	\$ 468.8	\$ (18.5)	-4%
Anthropologie Group	206.2	217.4	(11.2)	-5%
Free People	73.9	61.3	12.6	21%
Urban Outfitters	170.2	190.1	(19.9)	-10%
Wholesale Segment by Brand	\$ 38.9	\$ 62.8	\$ (23.9)	-38%
Anthropologie Group	0.3	5.5	(5.2)	-95%
Free People	36.1	55.6	(19.5)	-35%
Urban Outfitters	2.5	1.7	0.8	51%
Subscription Segment Rental Product, Net*	\$ 14.1	\$ 10.9	\$ 3.2	29%

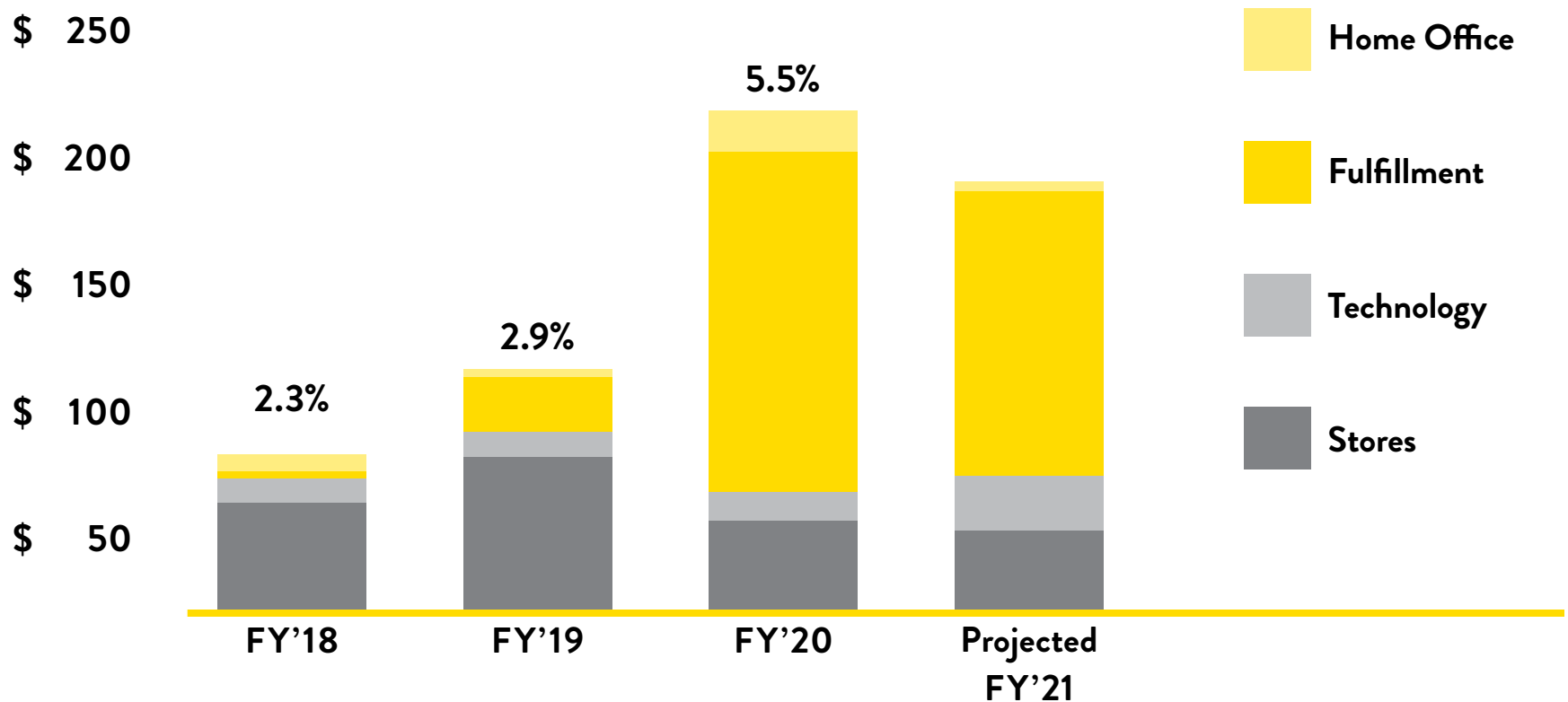
*Rental Product, net of amortization, is included in Other Assets



Capital Spending

(\$ in millions)
(unaudited)

Net Capex % of Net Sales



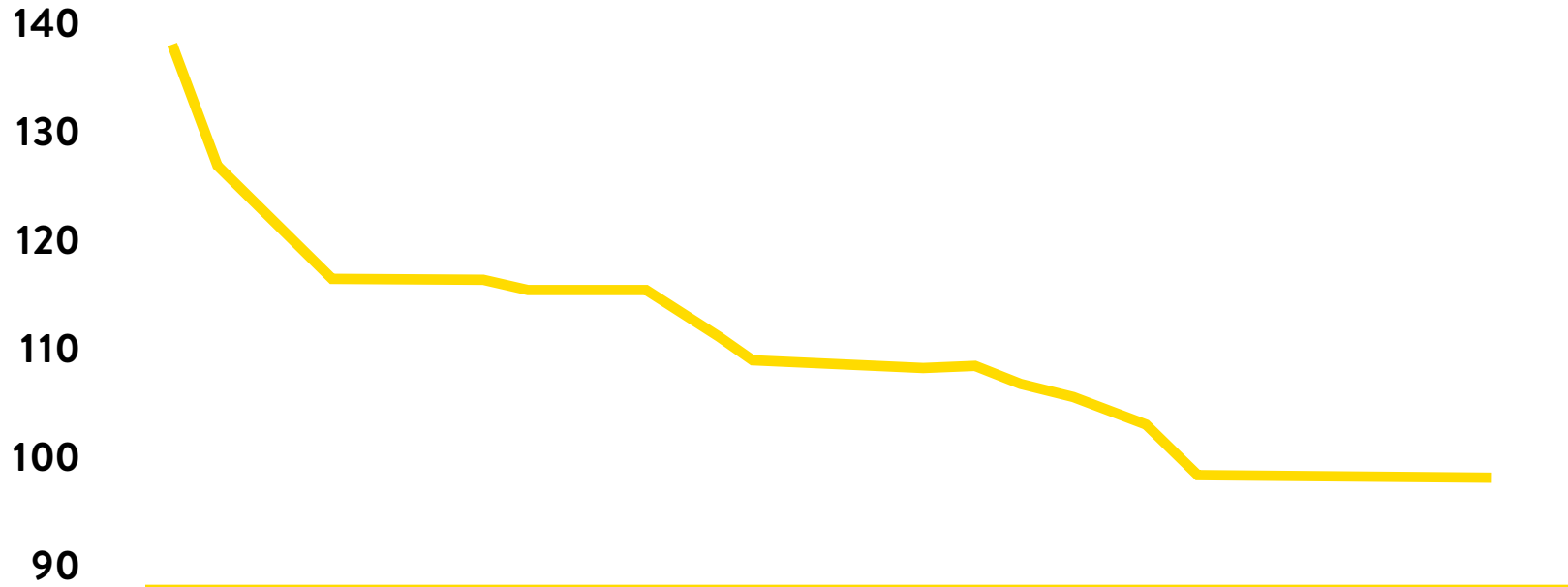
During the third quarter, capital expenditures were \$17 million while depreciation & amortization was \$25 million.



Shares Outstanding

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

Ending Shares Outstanding



	FY'16	FY'17	FY'18	FY'19	FY'20	Q1 Q2 Q3 FY'21
Shares Repurchased						
Number of Shares	15	1.3	8.1	3.5	8.1	0.5
Total Cost	\$ 465	\$ 46	\$ 157	\$ 121	\$ 217	\$ 7

The Company did not repurchase any shares during the quarter. The Company has authorization to repurchase approximately 26 million additional shares remaining granted by the Board of Directors resolution's on August 22, 2017 and June 4, 2019. Our weighted average diluted share count for the quarter was 98.6 million shares.



Global Retail Stores Summary

	Q1–Q3 FY'21				Projected Q4 FY'21		
	Open as of January 31, 2020	Openings	Closings	Open as of October 31, 2020	Projected Openings	Projected Closings	Projected Open as of January 31, 2021
Anthropologie Group NA	211	1	–	212	4	1	215
Anthropologie Group EU	20	2	–	22	–	–	22
Total Anthropologie Group	231	3	–	234	4	1	237
Free People NA	140	3	1	142	2	–	144
Free People EU	4	–	–	4	1	–	5
Total Free People	144	3	1	146	3	–	149
Urban Outfitters NA	194	4	4	194	2	5	191
Urban Outfitters EU	54	2	–	56	–	–	56
Total Urban Outfitters	248	6	4	250	2	5	247
Menus & Venues	11	–	–	11	–	–	11
Total Company-Owned Stores	634	12	5	641	9	6	644
Franchisee-Owned Stores	7	–	5	2	–	1	1
Total URBN	641	12	10	643	9	7	645



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'20	Q1	Store Count	228	136	245	12	621
		Selling SF	1,782	304	2,196	n/a	4,282
	Q2	Store Count	228	137	246	11	622
		Selling SF	1,782	306	2,203	n/a	4,291
	Q3	Store Count	231	143	249	11	634
		Selling SF	1,790	322	2,223	n/a	4,335
	Q4	Store Count	231	144	248	11	634
		Selling SF	1,776	325	2,218	n/a	4,319

		AN	FP	UO	M&V	URBN*	
FY'21	Q1	Store Count	233	144	249	11	637
		Selling SF	1,793	325	2,220	n/a	4,338
	Q2	Store Count	233	143	248	11	635
		Selling SF	1,793	321	2,212	n/a	4,326
	Q3	Store Count	234	146	250	11	641
		Selling SF	1,795	327	2,227	n/a	4,349

*excludes franchisee-owned stores