

## URBAN OUTFITTERS, INC.

Third Quarter, FY'26 Conference Call  
November 25, 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  
Emma Wisden, President, Urban Outfitters, EU  
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  
David Ziel, Chief Development Officer  
Oona McCullough, Executive Director of Investor Relations

Good afternoon, and welcome to the URBN third quarter fiscal 2026 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three and nine-month period ending October 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**

Thanks, Oona, and good afternoon, everyone.

The URBN teams delivered another outstanding quarter. Total revenues grew by 12% and net income increased by 13%, both new third quarter records. We are especially pleased to report that all brands produced positive 'comps' across all geographies this quarter. This includes the powerful, double-digit 'comps' the Urban brand generated in both North America and Europe, and the exceptional growth in subscribers and revenues from the Nuuly brand.

The agenda for today's call includes comments from Frank Conforti, our co-President and COO, who will elaborate on Q3 performance by brand and business segment. After Frank, Tricia Smith, CEO of the Anthropologie Group, will speak to the performance of that brand and their newly launched Maeve concept. Melanie Marein-Efron, our CFO, will then walk you through our outlook for the fourth quarter and I will wrap things up with a few closing thoughts before we open the call for your questions.

Frank, the floor is all yours.

## **Frank Conforti**

Thank you, Dick, and good afternoon, everyone.

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

Overall, our teams delivered another outstanding quarter, exceeding our plans and setting new sales and profit records. Total URBN sales grew by over 12%, reaching a Q3 record of \$1.5 billion. All our Retail segment brands delivered positive Retail segment 'comps', while four of our five brands posted record third quarter sales, and Nuuly continued its impressive double-digit revenue growth.

Our total URBN sales growth was partly driven by an 8% increase in the Retail segment 'comp', with digital 'comps' slightly exceeding store 'comps'. Nuuly delivered strong 49% revenue growth, driven primarily by an increase of 118,000 average active subscribers compared to the prior year. Additionally, the Wholesale segment delivered an 8% increase in revenue, driven by growth in the specialty store accounts which was largely fueled by healthy increases in FP Movement.

Next, I will turn your attention to gross profit. URBN saw a 13% increase in gross profit dollars, reaching a record \$563 million. The gross profit rate improved nicely by 31 basis points, rising to 36.8%. Please note that this includes a two-million-dollar store impairment charge in the current quarter which is worth 13 basis points. The improvement in gross margins was primarily driven by lower markdowns, at the Urban Outfitters and Free People brands as well as occupancy leverage

driven by strong sales growth across all our brands. These gains more than offset lower initial product margins at all brands due to increased tariffs vs. the prior year.

In the quarter, 'SG&A' increased by 14%, deleveraging by 32 basis points. The growth in 'SG&A' dollars was primarily driven by increased marketing spend, which fueled sales and customer growth for all brands. The marketing efforts drove increases in traffic and transactions, both in stores and online for total URBN retail segment, while Nuuly's campaigns resulted in healthy double-digit growth in average active subscribers.

Overall, total URBN operating income rose by over 12% compared to last year, reaching \$144 million, while the operating profit rate was consistent with the prior year. Net income saw a 13% increase to a new Q3 record of \$116 million or \$1.28 per diluted share.

Now, moving to brand performance, starting with the Free People brand. The team delivered a 9% increase in total revenue. Their sales growth was driven by a 9% increase in Retail segment sales, including a 4% Retail segment 'comp', significant 'non-comp' sales growth and an 8% increase in Wholesale segment revenues. The Retail segment 'comp' was driven by positive 'comps' in both the store and digital channels, across all geographies with an outperformance in accessory product sales. 'Non-comp' sales grew by over 200%, driven by new Free People and Free People Movement store openings over the past 12 months. The brand is planning to open 43 new stores for the year, including 18 Free People and 25 FP Movement stores. The brand is also encouraged by the strong results in Europe. While European operations are small relative to the total brand, new store openings continue to perform well, and the region drove a double-digit Retail segment 'comp' in the quarter, building on double-digit Retail segment 'comps' last year. I know Sheila and team are excited to capture more of the European market potential in the future.

Within the Free People brand, the FP Movement business delivered strong total growth of 18% driven by a 4% Retail segment 'comp', strong Wholesale segment sales growth of 29% and robust 'non-comp' growth driven by new store openings. Continued strength in performance related products is driving healthy new customer acquisition growth. The FP Movement brand saw increases in new, reactivated and retained customers during the quarter.

Based on our current plans, we believe the Free People Retail segment could deliver a low to mid-single-digit positive 'comp' in Q4.

Free People wholesale revenues increased by 8% during the quarter, driven by sales gains in all geographies, while specialty store accounts led the way vs. other accounts. As noted on our last call, as we move through the back half of the year the Wholesale segment faces more difficult year-on-year comparisons versus the prior year. Based on our current plans, we believe the Wholesale segment could deliver mid-single-digit growth in the fourth quarter.

Now, let's move on to the Urban Outfitters brand. Urban Outfitters recorded a strong 13% global Retail segment 'comp' for the third quarter. Congratulations to the teams on delivering the first double-digit 'comp' in some time. UO North America recorded a 10% Retail segment 'comp' and UO Europe an exceptional 17% Retail segment 'comp'. The total global 'comp' was driven by strong store and digital 'comps' with positive traffic in both channels and positive conversion in stores.

In North America, the UO team continued their focus on their customer and delivered a solid ‘comp’ in both channels for the quarter building on the strong start to the back-to-school season in Q2. In the third quarter the business grew nicely across all major categories, anchored in strong regular price sales, new customer growth, and continued success in focused growth categories. Within women’s, the denim business continued to be strong, complimented by pants, lounge, sweaters and accessories. The brand is also encouraged by progress in the men’s apparel category, which delivered double-digit regular price ‘comps’ in the month of October.

In North America, from a marketing perspective, the team is focused on meeting customers in the moments and places that matter most, whether that is across social channels, digitally, in our stores, or by hosting culturally relevant events. In the third quarter, the brand celebrated back to campus by hosting gameday events at college campuses across the country, introducing and welcoming more customers into the brand. The brand also celebrated partnerships with some of Gen Zs most loved brands through On Rotation, a 360-degree brand spotlight, showcasing discovery, product engagement, and curated assortments. These engaging brand marketing events have been successful, driving an increase in unaided awareness and new customer growth.

In Europe, the Urban Outfitters business delivered an outstanding 17% Retail segment ‘comp’, driven by double-digit ‘comp’ increases in both the store and digital channels. During the quarter, the business achieved positive double-digit ‘comps’ across all major product categories. With these exceptional results it is clear the European team is winning market share through amazing product execution and compelling marketing events and strategies.

Moving back to the Urban Outfitters brand globally, we are proud to note that the brand delivered low single-digit operating profit margin in the third quarter. This significant improvement was driven by a remarkable year-on-year profit increase in Europe followed by a meaningful reduction in operating loss in North America. Based on our current plans, we believe the Global Urban Outfitters brand could deliver a high single-digit positive Retail segment ‘comp’ for the fourth quarter.

Now turning to the Nuuly brand, which delivered another exceptional quarter. Total Q3 revenue grew by 49%. The impressive growth was primarily driven by an increase of over 40% in average active subscribers reaching just shy of 400,000 average active subs vs. the prior comparable quarter. Nuuly’s growth added three and half percentage points of revenue growth to total URBN sales.

Our primary focus remains on scaling the Nuuly business and building brand awareness, which we are doing through investments in logistics and strategic marketing. We are pleased to report that our planned logistics expansion in Kansas City, Missouri, including increased storage capacity and the implementation of new sortation automation, remains on track. Our latest marketing campaign was successful in driving new customers and continues the positive momentum of the brand. Overall, Nuuly’s continued strong performance highlights the large, growing opportunity for apparel rental in the U.S., and we believe we are making the appropriate investments to enable Nuuly to continue winning market share. Based on our current plans, we believe Nuuly could deliver healthy double-digit revenue growth in the fourth quarter.

Now moving on to tariffs. The macro landscape remains consistent with what we discussed on our last call. We estimate that tariffs negatively impacted our third quarter gross margin rate by approximately 60 basis points, and we currently believe they will have an impact of approximately 75 basis points in the fourth quarter. Despite these headwinds, we still believe we can achieve approximately 100 basis points of gross margin improvement for the full fiscal year 2026. Our teams continue to work diligently on tariff mitigation efforts, including negotiating vendor terms, modifying our countries of origin, adjusting transportation modes, and strategically managing pricing. I want to emphasize that this plan reflects our current knowledge, and there is still a lot of uncertainty in today's environment. This uncertainty in addition to our ongoing mitigation efforts makes it challenging to predict the impact of tariffs beyond the fourth quarter.

In summary, it was an exceptional quarter. All brands delivered positive Retail segment sales 'comps', Wholesale produced healthy revenue gains, and the Subscription segment drove double-digit revenue growth. We believe we are on track to deliver record sales and operating profit for the year including approximately 100 basis points of gross and operating profit margin improvement despite tariff headwinds. We could not be prouder of the teams and their amazing execution.

On that note, I will now turn the call over to Tricia Smith, Global CEO of the Anthropologie Group.

### **Tricia Smith**

Thank you, Frank and good afternoon, everyone.

In the third quarter, the Anthropologie Group delivered an 8% Retail segment comparable sales increase, driving 8% growth in total brand revenue. This achievement marks the 19th consecutive quarter of positive comparable sales for the Anthropologie Group. Importantly, we were able to maintain strong double-digit profit rates through improved gross profit margins despite ongoing tariff headwinds.

The Retail segment's comparable sales growth was robust, driven by strong 'comps' in both digital and stores across all regions. Category strength remained consistent across apparel, accessories, and weddings, complemented by an acceleration in sales trends within the Home category.

Turning specifically to apparel, our strength continues to be driven by the brand's multi-year focus on modernizing the assortment and elevating our own brands. These offerings remain our customers' most coveted selections and continue to drive substantial growth. This success is tangible: Own Brand penetration achieved a historical high, increasing by over 100 basis points versus last year. We are strategically investing in these unique brands, including Maeve, Celandine, Lyrebird, and Pilcro, which are supported by a strong design team and a distinctive creative point-of-view. We believe this customer affinity for our own brands positions them for continued outsized growth opportunities.

Highlighting the power of our owned brands, this quarter saw the launch of Maeve as a standalone brand, transitioning it from a beloved in-house label to a dedicated boutique concept. Our first Maeve boutique opened in Raleigh, NC, and the results have exceeded our expectations, with a high double-digit beat of our forecast.

This launch has proven accretive to our business in the Raleigh-Durham area, driving increases in total store sales across the region, inclusive of existing Anthropologie stores. Furthermore, digital demand for both Maeve and Anthro in the trade area has outpaced brand-wide demand growth since the store opening. Building on this success, our next Maeve boutique is scheduled to open at the end of fiscal Q4 in Atlanta's Buckhead Village District, with an additional location to be announced in the first quarter of fiscal 2027.

Moving now to the Home business, where we saw an acceleration in sales trends during the quarter. Anthropologie Home achieved high single-digit comparable sales, which was in line with total brand comparable sales, driven largely by the strength of our full-price business. Growth was concentrated in home accessories and textiles, and notably, regular-price furniture sales turned positive during the quarter. Home accessories, a key point of entry for new customers, delivered double-digit 'comps' and double-digit new customer growth. We are excited about the current trajectory and growth potential of our Home business.

Our brand-wide growth continues to be fueled by strong positive comparable sales across both digital and retail channels. In our digital channel, we drove double-digit session growth while holding conversion flat. We are continuously investing in our customer digital experience to reduce friction in the online purchase process and drive conversion. In our stores, the focus on service and experience is yielding results; our in-store styling services grew double-digits this quarter, and the high-touch, appointment-driven Anthro Weddings business significantly outpaced total brand 'comp'. These strong channel performances validate our strategic investments in both our physical store footprint and our digital capabilities.

Building on the success in stores, we are executing a robust plan for new Anthropologie stores, in addition to the Maeve boutique launches. Year-to-date in FY26, we have opened 8 new stores in North America and plan to open an additional 3 before the end of the fiscal year. Internationally, we also have 3 new stores opening in the UK, with Liverpool and Glasgow opening earlier this month and Manchester opening later this week.

Importantly, our new Anthropologie stores are not only exceeding our expectations but are also driving outsized digital demand in their local markets. By the end of fiscal 26, we will have 253 Anthropologie Group stores globally.

Underpinning our growth strategy is exceptional marketing that drives customer acquisition and retention. Our messaging this quarter was anchored by two high-impact campaigns: our Maeve launch campaign, "More You, More Maeve," which generated over one billion impressions, and our "Anthro, Always" fall campaign, a cinematic, cross-category story. This approach successfully balances data-led discipline with emotionally resonant storytelling that speaks to new and existing customers. As a result, our total customer count grew high single digits this quarter, and over 30%

of new customers have returned to make a second purchase, with our owned brands driving the majority of this new customer growth.

Looking ahead, we are expecting mid-single-digit ‘comps’ for Q4. We are committed to our strategy and focused on our north star of product modernization, customer growth and leveraging creative, as we enhance our selling environments with exceptional experiences for our customers.

I would like to take this moment to thank our incredible teams and global partners. The thoughtful customer-obsessed way in which you work continues to delight our customers and support the growth of our business.

With that, I will now hand the call over to Melanie.

### **Melanie Marein-Efron**

Thanks, Tricia, and good afternoon, everyone.

Let me walk you through how we’re thinking about our fourth quarter financial performance.

Based in part on our start to the quarter, we are planning for total company sales to grow in the high single-digits for the quarter. In our Retail segment, ‘comps’ sales could grow mid-single-digit positive with high single-digit positive Retail segment ‘comps’ at the Urban Outfitters brand, mid-single-digit positive Retail segment ‘comps’ at Anthropologie and low to mid-single-digit positive Retail segment ‘comps’ at Free People. At Nuuly, the brand could deliver mid-double-digit revenue growth, driven by continued subscriber momentum. Finally, our Wholesale segment could produce mid-single-digit growth.

Based on current sales performance and plan, we believe URBN’s full year gross profit margins could increase by approximately 100 bps, with the second half growing by approximately 50 bps versus last year. Within the remaining second half, fourth quarter gross profit margins could increase by approximately 25-50 basis points as lower product markdowns, particularly at the Urban Outfitters brand, partially offset by lower initial merchandise margins due to increased tariffs. Our current assumptions on tariffs are based on the announced tariff rates as of November 24, which include 50% tariff rate on goods from India.

Turning to ‘SG&A’, we expect expenses to grow roughly in line with sales for the full year and fourth quarter based on current sales performance and plans. The planned growth in fourth quarter ‘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 are currently planning for an effective tax rate of about 23.5% for the fourth quarter and 22.5% for the full year.

Now, onto inventory. In Q4 we expect inventory could grow at a rate similar to fourth quarter sales as our teams continue to focus on increasing our product turns.

For FY26, capital expenditures are planned at approximately \$300 million. The FY26 capital project spend is broken down as follows: approximately 45% is related to retail store expansion and support, approximately 35% is related to supporting technology and logistics investments and the remaining 20% is for home office expansion to support our growing businesses.

Lastly, we're planning to open approximately 69 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, 18 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.

Our teams produced another great performance, with every brand contributing meaningfully to our outstanding results. Robust comparable sales across our brand portfolio demonstrated their power and the rigor of our execution. The Anthropologie, Free People and FP Movement brands achieved record sales while successfully maintaining double-digit operating profitability. The Urban Outfitters brand posted strong double-digit comparable sales in both geographies driven by better product, improved marketing and more full-price customers. As a result, the Urban brand delivered significant profit improvement versus last year. Complementing the Retail results, Nuuly, our subscription rental concept, continued its impressive trajectory of strong subscriber and revenue growth while delivering healthy operating profits.

During the third quarter, customer engagement was lively, with both store traffic and online session growth up sharply. Our customers responded enthusiastically to our compelling product offerings and distinctive brand experiences and drove record third quarter results. This sustained performance is a direct testament to the strength and resilience of our diversified business model.

We have built a strategic model that is sturdy across multiple dimensions. Our diversification by channel, spanning stores, digital, wholesale, and subscription services, and by brand, with a portfolio catering to different customer segments, provides inherent stability. Furthermore, our broad category offering, including apparel, accessories, shoes, home, and beauty ensures that as customer preferences shift, we remain relevant. This powerful, multi-faceted approach to diversification gives us high confidence that with smart execution, we can continue to grow our market share regardless of the operating environment.

Looking ahead, November traffic and sales remain robust; our Retail segment ‘comp’ sales are currently running slightly ahead of our stated Q4 plan to deliver mid-single-digit ‘comp’ growth. We anticipate the Holiday season will, as always, be highly competitive and promotional. We have observed a slight shift in consumers' behavior. We believe customers were waiting a bit longer this year to make their purchases until seasonal promotions began. We successfully met this shift with strong results in our early holiday events. As Frank noted earlier, despite the expected promotional landscape, we believe the power of our model allows us to achieve improved operating margins in Q4 versus the prior year. For now, we are focused on closing the year successfully by delivering another quarter and year of record-setting results and continuing to deliver shareholder value.

Finally, my thanks to our entire URBN family – brands and shared services – for producing another superior quarter. I want to acknowledge the phenomenal job each of our brand leaders, their teams, and our Co-Presidents, Meg and Frank, have done. I understand the hard work and long hours you all devote to making our brands among the best in retail today and I am deeply appreciative. Our results are a testament to your efforts and your talent. I also thank our partners around the globe for your cooperation as we work together to solve the problems imposed by tariffs. And finally, I thank our shareholders for your ongoing support. That concludes our prepared remarks; we now invite your questions.