

# Urban Outfitters, Inc.

## FY'23 Q2 RESULTS





# Introduction

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Urban Outfitters, Inc. “URBN” is providing fiscal 2023 second quarter commentary ahead of our earnings call scheduled for August 23rd at 5:15pm.

We remind you that any forward-looking statements made in this commentary are subject to our safe harbor statement found in our SEC filings.

Our second quarter earnings release and related financial information are available on our website, [www.urbn.com](http://www.urbn.com).



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# Key Financial Highlights

	Three Months Ended	
	July 31, 2022	July 31, 2021
URBN Net Sales Change	2.2%	20.3%
Gross Profit*	31.7%	37.6%
Selling, General and Admin. Expenses*	24.4%	23.3%
Income from Operations*	7.3%	14.3%
Earnings Per Diluted Share	\$ 0.64	\$ 1.28

URBN sales for the second quarter increased by 2% to a record \$1.18 billion. The increase in sales was due to a \$19 million increase in Nuuly segment sales, 1% increase in Retail segment sales and a 1% increase in Wholesale segment sales. Retail segment sales comp increased 1%.

Gross profit dollars decreased by 14% to \$375 million for the quarter, while gross profit rate decreased 595 bps to 31.7%. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter. Lower initial merchandise markups driven largely by higher inbound transportation expenses further contributed to the deleverage. Additionally, higher carrier fuel surcharges resulted in a deleverage in delivery expense.

Selling general & administrative ('SG&A') expenses increased by 7% to \$289 million while SG&A as a % of sales deleveraged by 113 bps to 24.4%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to store payroll expenses due to increased store associate hours to support increased customer traffic, as well as higher average wages in order to attract and retain employees.

Operating income dollars decreased by 48% to \$86 million while operating income rate decreased by 708 bps to 7.3%. The decrease in dollars and rate was primarily due to the lower gross profit rate.

Net income for the quarter was \$59 million or \$0.64 per diluted share.

\*expressed as a percent of net sales



# Sales by Segment

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
<b>Total Sales</b>	<b>\$ 1,183.4</b>	<b>\$ 1,157.7</b>	<b>\$ 25.7</b>	<b>2%</b>
<b>Retail Segment</b>	<b>\$ 1,095.2</b>	<b>\$ 1,089.0</b>	<b>\$ 6.2</b>	<b>1%</b>
<b>URBN Comp</b>	<b>\$ 1,055.6</b>	<b>\$ 1,046.0</b>	<b>\$ 9.6</b>	<b>1%</b>
Anthropologie Group	467.7	436.4	31.3	7%
Free People Group	206.4	191.7	14.7	8%
Urban Outfitters	375.6	412.5	(36.9)	(9%)
Menus & Venues	5.9	5.4	0.5	8%
<b>Retail Segment Comp</b>				
<b>By Geography</b>				
North America	922.8	925.6	(2.8)	flat
Europe and ROW	132.8	120.4	12.4	10%
<b>URBN Non-Comp</b>	<b>\$ 39.6</b>	<b>\$ 43.0</b>	<b>\$ (3.4)</b>	<b>(8%)</b>
<b>Wholesale Segment</b>	<b>\$ 59.4</b>	<b>\$ 58.8</b>	<b>\$ 0.6</b>	<b>1%</b>
Free People Group	55.3	53.4	1.9	4%
Urban Outfitters	4.1	5.4	(1.3)	(24%)
<b>Nuuly Segment</b>	<b>\$ 28.8</b>	<b>\$ 9.9</b>	<b>\$ 18.9</b>	<b>190%</b>

Total Company or URBN sales for the second quarter increased by 2% to a record \$1.18 billion. URBN Retail segment sales increased 1% to \$1.10 billion, with comparable sales increasing 1%. Retail segment comparable sales increased due to low single-digit positive digital channel sales primarily driven by increases in sessions and average order value. Retail store sales were flat as higher traffic and transactions were offset by a decrease in conversion rate, units per transaction and average unit retail.

URBN Wholesale segment sales for the second quarter increased by 1% to \$59 million, driven by a 4%, or \$2 million, increase in Free People Group wholesale sales primarily due to growth in specialty stores, partially offset by a decline in Urban Outfitters wholesale sales.

Nuuly segment sales for the second quarter increased by \$19 million driven by a significant increase in our subscribers.



# Revenue Metrics

ANTHROPOLOGIE

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
<b>Total Sales</b>	<b>\$ 479.2</b>	<b>\$ 450.6</b>	<b>\$ 28.6</b>	<b>6%</b>
<b>Retail Segment</b>	<b>\$ 479.2</b>	<b>\$ 450.6</b>	<b>\$ 28.6</b>	<b>6%</b>
<b>Retail Segment Comp</b>	<b>\$ 467.7</b>	<b>\$ 436.4</b>	<b>\$ 31.3</b>	<b>7%</b>
Sales by Geography				
North America	447.7	417.6	30.1	7%
Europe and ROW	20.0	18.8	1.2	7%
<b>Retail Segment Non-Comp</b>	<b>\$ 11.5</b>	<b>\$ 14.2</b>	<b>\$ (2.7)</b>	<b>(19%)</b>

Total Anthropologie Group brand sales increased 6% to \$479 million for the quarter.

Retail segment sales increased 6%, with comparable sales increasing 7%. The increase in Retail segment comparable sales was driven by high single-digit growth in digital channel sales due to increases in sessions, average order value and conversion rate, as well as mid single-digit growth in retail store sales due to higher traffic, transactions and average unit retail. By product category, apparel, accessories, home and Terrain were positive for the quarter, while beauty and Bhldn declined. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.



# Revenue Metrics



(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
<b>Total Sales</b>	<b>\$ 271.4</b>	<b>\$ 249.7</b>	<b>\$ 21.7</b>	<b>9%</b>
<b>Retail Segment</b>	<b>\$ 261.1</b>	<b>\$ 196.3</b>	<b>\$ 19.8</b>	<b>10%</b>
<b>Retail Segment Comp</b>	<b>\$ 206.4</b>	<b>\$ 191.7</b>	<b>\$ 14.7</b>	<b>8%</b>
Sales by Geography				
North America	196.6	184.4	12.2	7%
Europe and ROW	9.8	7.3	2.5	35%
<b>Retail Segment Non-Comp</b>	<b>\$ 9.7</b>	<b>\$ 4.6</b>	<b>\$ 5.1</b>	<b>106%</b>
<b>Wholesale Segment</b>	<b>\$ 55.3</b>	<b>\$ 53.4</b>	<b>\$ 1.9</b>	<b>4%</b>
North America	53.6	51.6	2.0	4%
Europe and ROW	1.7	1.8	(0.1)	(6%)

Total Free People Group sales increased by 9% to \$271 million for the quarter. This increase was due to an increase in Retail segment sales of 10% and a 4% increase in Wholesale segment sales.

The growth in Retail segment sales was driven by an 8% increase in comparable sales due to low double-digit growth in the digital channel due to increases in sessions and average order value, partially offset by a low single-digit decline in retail store sales due to decreases in transactions, conversion rate and units per transaction. All product categories were positive except intimates. The increase in non-comparable Retail segment net sales was primarily due to the opening of new stores since the prior comparable quarter.

Wholesale segment sales increased by 4% primarily due to growth in specialty stores.



# Revenue Metrics

## URBAN OUTFITTERS

(\$ in millions)  
(unaudited)

	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
<b>Total Sales</b>	<b>\$ 396.4</b>	<b>\$ 441.6</b>	<b>\$(45.2)</b>	<b>(10%)</b>
<b>Retail Segment</b>	<b>\$ 392.3</b>	<b>\$ 436.2</b>	<b>\$(43.9)</b>	<b>(10%)</b>
<b>Retail Segment Comp</b>	<b>\$ 375.6</b>	<b>\$ 412.5</b>	<b>\$(36.9)</b>	<b>(9%)</b>
Sales by Geography				
North America	272.6	318.2	(45.6)	(14%)
Europe and ROW	103.0	94.3	8.7	9%
<b>Retail Segment Non-Comp</b>	<b>\$ 16.7</b>	<b>\$ 23.7</b>	<b>\$ (7.0)</b>	<b>(30%)</b>
<b>Wholesale Segment</b>	<b>\$ 4.1</b>	<b>\$ 5.4</b>	<b>\$ (1.3)</b>	<b>(24%)</b>
North America	2.6	3.5	(0.9)	(26%)
Europe and ROW	1.5	1.9	(0.4)	(19%)

Total Urban Outfitters brand sales decreased by 10% to \$396 million for the quarter.

Retail segment sales decreased 10%, with comparable sales decreasing 9%. The decrease in Retail segment comparable sales was driven by low double-digit negative digital channel sales due to decreases in sessions, average order value and conversion rate, as well as a mid single-digit decline in retail store sales due to decreases in conversion rate, average unit retail and units per transaction. All product categories were negative except intimates, beauty and men's accessories. The decrease in non-comparable Retail segment net sales was primarily due to the impact of foreign currency translation.

Wholesale segment net sales decreased \$1 million.





# Gross Profit by Segment

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
<b>Gross Profit* \$'s</b>	<b>\$ 374.6</b>	<b>\$ 435.3</b>	<b>\$ (60.7)</b>	<b>(14%)</b>
<b>Gross Profit* %</b>	<b>31.7%</b>	<b>37.6%</b>		
<b>Retail Segment</b>				
Gross Profit \$'s	\$ 352.5	\$ 417.1	\$ (64.6)	(15%)
Gross Profit %	32.2%	38.3%		
<b>Wholesale Segment**</b>				
Gross Profit \$'s	\$ 14.6	\$ 16.5	\$ (1.9)	(12%)
Gross Profit %	24.5%	28.0%		
<b>Nuuly Segment</b>				
Gross Profit \$'s	\$ 7.5	\$ 1.7	\$ 5.8	349%
Gross Profit %	26.0%	16.8%		

\*Cost of Sales includes initial mark-up, markdowns, store occupancy, delivery, freight and logistics expenses and merchant expenses

\*\*Net of intersegment elimination

Gross profit dollars decreased by 14% to \$375 million for the quarter, while gross profit rate decreased 595 bps to 31.7%. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter. Lower initial merchandise markups driven largely by higher inbound transportation expenses further contributed to the deleverage. Additionally, higher carrier fuel surcharges resulted in a deleverage in delivery expense.

Retail segment gross profit decreased 15% to \$353 million while the Retail segment gross profit rate decreased 612 bps to 32.2% for the quarter. The decrease in gross profit dollars and rate was primarily due to higher markdowns at all three brands as compared to record low markdown rates in the comparable prior year quarter. Lower initial merchandise markups driven largely by higher inbound transportation expenses further contributed to the deleverage. Additionally, higher carrier fuel surcharges resulted in a deleverage in delivery expense.

Wholesale segment gross profit decreased 12% to \$15 million while the Wholesale segment gross profit rate decreased 350 bps to 24.5%. The lower gross profit rate was driven by higher inbound transportation costs and lower margin on sales to off-price customers.

Nuuly segment gross profit was \$7 million for the quarter, compared to \$2 million in the prior year quarter. The increase in gross profit dollars was primarily due to the significant increase in subscription revenue as well as improved operating leverage.



# SG&A—Total Company

(\$ in millions) (unaudited)	Three Months Ended		Variance	
	July 31, 2022	July 31, 2021	\$	%
SG&A* \$'s	\$ 288.8	\$ 269.4	\$ 19.4	7%
SG&A* %	24.4%	23.3%		

Selling general & administrative ('SG&A') expenses increased by 7% to \$289 million while SG&A as a % of sales deleveraged by 113 bps to 24.4%. The deleverage in SG&A as a rate to sales and growth in SG&A dollars was primarily related to store payroll expenses due to increased store associate hours to support increased customer traffic, as well as higher average wages in order to attract and retain employees.

\*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	
	July 31, 2022	July 31, 2021	\$	%
<b>Operating Income \$'s</b>	<b>\$ 85.8</b>	<b>\$ 165.9</b>	<b>\$ (80.1)</b>	<b>(48%)</b>
<b>Operating Income %</b>	<b>7.3%</b>	<b>14.3%</b>		
Retail Segment				
Operating Income \$'s	\$ 96.3	\$ 176.8	\$ (80.5)	(46%)
Operating Income %	8.8%	16.2%		
Wholesale Segment*				
Operating Income \$'s	\$ 7.7	\$ 9.4	\$ (1.7)	(18%)
Operating Income %	13.0%	15.9%		
Nuuly Segment				
Operating Loss \$'s	\$ (2.4)	\$ (3.6)	\$ 1.2	34%
Operating Loss %	(8.3%)	(36.4%)		
General Corporate				
Expenses \$'s	\$ 15.8	\$ 16.7	\$ (0.9)	(5%)

Operating income dollars decreased by 48% to \$86 million while operating income rate decreased by 708 bps to 7.3%. The decrease in dollars and rate was primarily due to the lower gross profit rate.

Retail segment operating income decreased by 46%, or \$81 million, to \$96 million for the quarter. The decrease in dollars was primarily due to the lower gross profit rate.

Wholesale segment operating income decreased by 18%, or \$2 million, to \$8 million for the quarter. The decrease in operating income was primarily due to the lower gross profit rate.

Nuuly segment operating loss was \$2 million for the quarter compared to a \$4 million loss in the prior year quarter.

General corporate expenses decreased by \$1 million.

\*Net of intersegment elimination



# Income Statement Summary

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

Three Months Ended

	July 31, 2022	% of Net Sales	July 31, 2021	% of Net Sales
Net Sales	\$ 1,183.4	100.0%	\$ 1,157.7	100.0%
Cost of Sales	<u>808.8</u>	<u>68.3</u>	<u>722.4</u>	<u>62.4</u>
Gross Profit	374.6	31.7	435.3	37.6
Selling, General and Admin. Expenses	<u>288.8</u>	<u>24.4</u>	<u>269.4</u>	<u>23.3</u>
Income from Operations	85.8	7.3	165.9	14.3
Other Loss, Net	<u>(2.2)</u>	<u>(0.2)</u>	<u>(1.8)</u>	<u>(0.1)</u>
Income Before Income Taxes	83.6	7.1	164.1	14.2
Income Tax Expense	<u>24.1</u>	<u>2.1</u>	<u>36.8</u>	<u>3.2</u>
Net Income	<u>\$ 59.5</u>	<u>5.0%</u>	<u>\$ 127.3</u>	<u>11.0%</u>
Diluted Share Count	93.6		99.6	
Earnings per Diluted Share	\$ 0.64		\$ 1.28	

The effective tax rate for the second quarter was 29% compared to an effective tax rate of 22% in the second quarter of fiscal 2022. The change in the effective tax rate was attributable to the ratio of foreign taxable earnings to global taxable earnings, tax rate law changes and the prior year favorable impact of equity activity.

Net income for the quarter was \$59 million or \$0.64 per diluted share.



# Balance Sheet Summary

(\$ in millions)  
(unaudited)

	July 31, 2022	July 31, 2021
<b>Assets</b>		
Cash and Cash Equivalents	\$ 92	\$ 465
Marketable Securities	160	157
Accounts Receivable, Net	97	94
Inventory	697	483
Other Current Assets	221	196
<b>Total Current Assets</b>	<b>1,267</b>	<b>1,395</b>
Property and Equipment, Net	1,150	1,048
Operating Lease ROU Assets	928	1,069
Marketable Securities	153	113
Other Assets	155	118
<b>Total Assets</b>	<b>\$ 3,653</b>	<b>\$ 3,743</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts Payable	\$ 348	\$ 240
Current Operating Lease Liabilities	222	243
Other Current Liabilities	397	463
<b>Total Current Liabilities</b>	<b>967</b>	<b>946</b>
Non-Current Operating Lease Liabilities	869	1,030
Deferred Rent and Other Liabilities	110	97
<b>Total Liabilities</b>	<b>1,946</b>	<b>2,073</b>
<b>Total Shareholders' Equity</b>	<b>1,707</b>	<b>1,670</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,653</b>	<b>\$ 3,743</b>

As of July 31, 2022, cash and marketable securities totaled \$404 million with \$0 drawn down on our \$350 million asset backed line of credit facility.



# Cash Flows Summary

(\$ in millions)  
(unaudited)

	Six Months Ended	
	July 31, 2022	July 31, 2021
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 91	\$ 181
Adjustments to Reconcile Net Income to		
Net Cash (Used in) Provided by Operating Activities:		
Depreciation & Amortization	52	51
Inventory	(134)	(93)
Payables, Accrued Expenses and Other Liabilities	37	62
Other Operating Activities	(78)	(6)
Net Cash (Used in) Provided by Operating Activities	<u>(32)</u>	<u>195</u>
<b>Cash Flows from Investing Activities</b>		
Cash Paid for Property & Equipment	(106)	(106)
Net Marketable Securities	<u>142</u>	<u>(17)</u>
Net Cash Provided by (Used in) Investing Activities	<u>36</u>	<u>(123)</u>
<b>Cash Flows from Financing Activities</b>		
Share Repurchases related to Share Repurchase Program	(112)	–
Other Financing Activities	<u>(6)</u>	<u>(5)</u>
Net Cash Used in Financing Activities	<u>(118)</u>	<u>(5)</u>
Effect of Exchange Rate	<u>(1)</u>	<u>2</u>
(Decrease) Increase in Cash and Cash Equivalents	(115)	69
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>207</b>	<b>396</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 92</b>	<b>\$ 465</b>



# Inventory Data

(\$ in millions)  
(unaudited)

	July 31, 2022	July 31, 2021	Cost Variance	
			\$	%
<b>URBN Total Inventory</b>	<b>\$ 697.5</b>	<b>\$ 483.1</b>	<b>\$ 214.4</b>	<b>44%</b>
<b>Retail Segment Total Inventory</b>	<b>\$ 623.6</b>	<b>\$ 438.1</b>	<b>\$ 185.5</b>	<b>42%</b>
<b>Retail Segment Comparable Inventory by Brand</b>	<b>438.3</b>	<b>323.0</b>	<b>115.3</b>	<b>36%</b>
Anthropologie Group	216.4	152.7	63.7	42%
Free People Group	75.7	54.0	21.7	40%
Urban Outfitters	146.2	116.3	29.9	26%
<b>Wholesale Segment by Brand</b>	<b>\$ 73.9</b>	<b>\$ 45.0</b>	<b>\$ 28.9</b>	<b>64%</b>
Free People Group	66.9	37.6	29.3	78%
Urban Outfitters	7.0	7.4	(0.4)	(5%)
<b>Nuuly Segment Rental Product, Net*</b>	<b>\$ 59.2</b>	<b>\$ 10.9</b>	<b>\$ 48.3</b>	<b>443%</b>

As of July 31, 2022, inventory increased 44% to \$697 million as compared to the prior year. Retail segment inventory increased by 42% and Wholesale segment inventory increased by 64%. The increase in inventory for both segments was driven by higher inbound transportation expenses, planned earlier receipts to protect sales against a volatile supply chain, as well as excess product in certain categories and classes.

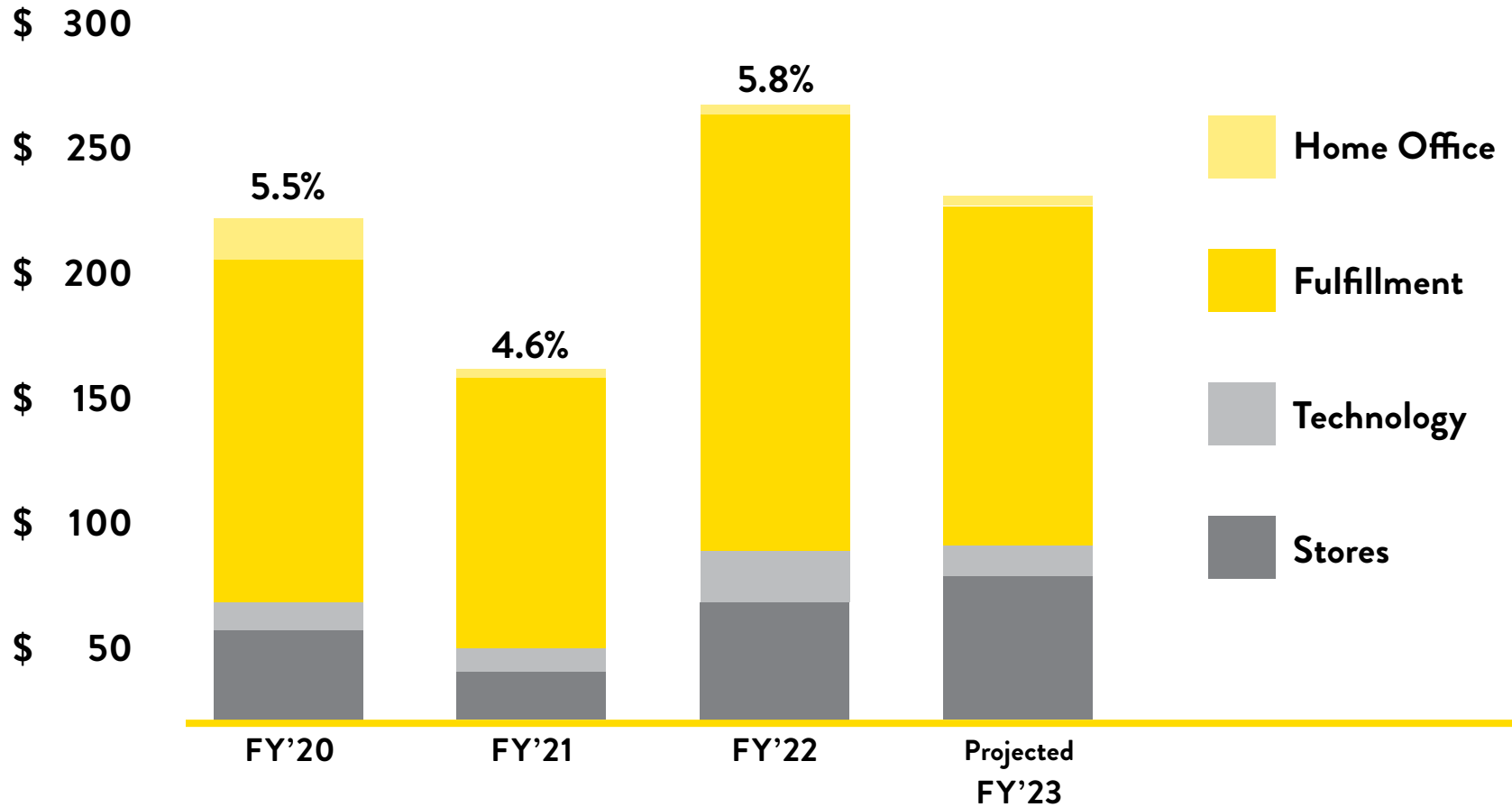
\*Rental Product, net of amortization, is included in Other Assets



# Capital Spending

(\$ in millions)  
(unaudited)

## Net Capex % of Net Sales



During the second quarter, capital expenditures were \$26 million while depreciation & amortization was \$32 million.





# Shares Outstanding

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



	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
<b>Shares Repurchased</b>						
Number of Shares	8.1	3.5	8.1	0.5	2.0	4.7
Total Cost	\$ 157	\$ 121	\$ 217	\$ 7	\$ 56	\$ 112

During the second quarter, the Company repurchased 2.3 million shares for \$50 million at an average share price of \$21.59. The Company has authorization to repurchase approximately 19 million additional shares remaining granted by the Board of Directors resolution on June 4, 2019. Our weighted average diluted share count for the quarter was 93.6 million shares.



# Global Retail Stores Summary

	Q1-Q2 FY'23				Q3-Q4 FY'23		
	Open as of January 31, 2022	Openings	Closings	Open as of July 31, 2022	Projected Openings	Projected Closings	Projected Open as of January 31, 2023
Anthropologie Group NA	217	1	1	217	4	6	215
Anthropologie Group EU	21	1	-	22	-	-	22
<b>Total Anthropologie Group</b>	<b>238</b>	<b>2</b>	<b>1</b>	<b>239</b>	<b>4</b>	<b>6</b>	<b>237</b>
Free People NA	147	2	1	148	2	-	150
FP Movement NA	20	6	-	26	6	-	32
Free People EU	6	3	-	9	3	-	12
<b>Total Free People Group</b>	<b>173</b>	<b>11</b>	<b>1</b>	<b>183</b>	<b>11</b>	<b>-</b>	<b>194</b>
Urban Outfitters NA	202	2	2	202	3	3	202
Urban Outfitters EU	59	-	-	59	3	2	60
<b>Total Urban Outfitters</b>	<b>261</b>	<b>2</b>	<b>2</b>	<b>261</b>	<b>6</b>	<b>5</b>	<b>262</b>
<b>Menus &amp; Venues</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>
<b>Total Company-Owned Stores</b>	<b>682</b>	<b>16</b>	<b>4</b>	<b>694</b>	<b>21</b>	<b>11</b>	<b>704</b>
<b>Franchisee-Owned Stores</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>2</b>	<b>-</b>	<b>8</b>
<b>Total URBN</b>	<b>685</b>	<b>19</b>	<b>4</b>	<b>700</b>	<b>23</b>	<b>11</b>	<b>712</b>



# 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'22	Q1	Store Count	238	153	251	11	653
		Selling SF	1,816	338	2,224	n/a	4,378
	Q2	Store Count	239	162	255	10	666
		Selling SF	1,820	352	2,238	n/a	4,410
	Q3	Store Count	242	170	260	9	681
		Selling SF	1,838	362	2,270	n/a	4,470
	Q4	Store Count	238	173	261	10	682
		Selling SF	1,813	367	2,264	n/a	4,444

		AN	FP*	UO	M&V	URBN**	
FY'23	Q1	Store Count	237	174	262	11	684
		Selling SF	1,810	368	2,270	n/a	4,448
	Q2	Store Count	239	183	261	11	694
		Selling SF	1,821	384	2,263	n/a	4,468

\*includes 26 FP Movement stores as of Q2 FY'23, with a total Selling SF of 33

\*\*excludes franchisee-owned stores