

## URBAN OUTFITTERS, INC.

First Quarter, FY'27 Conference Call  
May 20, 2026

### 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 first quarter fiscal 2027 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, 2026.

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**

Thank you, Oona.

In the first quarter, our teams once again produced record quarterly sales and earnings per share. Net sales grew 11% to \$1.5B and EPS grew 12% to \$1.30. This marks the seventh consecutive quarter of record sales and profits for URBN. I salute our extraordinary teams for their talent and remarkable consistency.

All Retail segment brands delivered positive 'comps', with standout performance from Free People and FP Movement. You will hear more on both of these brands from their CEO, Sheila Harrington, in a few minutes. Our other segments – Wholesale and Subscription – also produced outstanding results and were instrumental in driving these record results.

Frank Conforti, our Co-President and Chief Operating Officer, will now provide the details of our Q1 performance. After Frank, Sheila will talk about the Free People Group. Following her, Melanie Marein-Efron, our CFO, will walk you through our outlook for Q2 and the second half of the year. I will then wrap things up with a few closing thoughts before we open the call for your questions.

Frank, the floor is yours.

## **Frank Conforti**

Thank you, Dick, and good afternoon, everyone.

Today, I'm excited to share our company's first-quarter record results compared to last year, then I will dive into some detailed notes by brand, followed by a tariff and fuel costs update.

Overall, our teams delivered another outstanding quarter, exceeding our plans and setting new sales and operating profit records. Total URBN sales grew by over 11%, reaching a Q1 record of \$1.5 billion. All our Retail segment brands delivered positive Retail segment 'comps', while four of our five brands posted record first-quarter sales. Nuuly continued its impressive double-digit revenue growth and our Wholesale segment also delivered exceptional double-digit revenue growth.

Our total URBN sales growth was partly driven by a 6% increase in the Retail segment 'comp,' with digital 'comps' slightly exceeding store 'comps'. Nuuly delivered strong 35% revenue growth, driven primarily by an increase of over 110,000 average active subscribers compared to Q1 last year. Additionally, the Wholesale segment delivered a 25% increase in revenue, driven by growth across both specialty and department store accounts.

Next, I will turn your attention to gross profit. URBN saw an 11% increase in gross profit dollars while the gross profit rate decreased by 16 bps to 36.6%. The decrease in gross profit rate vs. the prior year is due to a \$5M or 36 bps one-time benefit received in the prior year. This deleverage

was partially offset by an improvement in total company markdown rate driven by lower markdown rates at the Free People and Urban Outfitters brands.

In the quarter, 'SG&A' increased by 12%, deleveraging by 5 bps. I want to note that 'SG&A' in the quarter included a \$7 million, or 47 bps, benefit from a favorable resolution of a legal matter. The increase in 'SG&A' dollars was driven by increased store payroll expenses to support the growth in store net sales, marketing investments at several of our brands and investments in technology. The marketing efforts drove increases in traffic, both in stores and online for the total URBN Retail segment, while Nuuly's marketing campaigns resulted in healthy double-digit growth in average active subscribers. The technology investments relate to several exciting AI related projects that we anticipate to benefit the company for years to come.

Overall, total URBN operating income grew by 9% compared to last year, reaching a Q1 record of \$140 million. During the quarter, we repurchased 4.6 million shares for approximately \$300 million. These recent share repurchases reduced our outstanding shares by 5%. Net income increased to \$116 million, while earnings per share increased by 12% to \$1.30 per diluted share.

Moving on to brand performance, starting with Anthropologie. As noted on the last call, the Anthropologie team had a slow start to the quarter as the brand cleared through some slower moving winter products. As fresh spring receipts began to impact the assortment in March, the brand saw the business respond nicely, with positive 'comps' in March and April. For the full quarter, Anthropologie delivered a positive 2% Retail segment 'comp'. This marks over five years of positive 'comps' produced by the Anthropologie brand. The positive Retail segment 'comp' was driven by positive 'comps' in women's apparel, shoes and home, partially offset by a negative 'comp' in accessories.

Apparel growth was fueled by a continuation of the strong bottoms cycle and a nicely positive dress 'comp', which is great to see for the brand. Turning to the Home category, performance was primarily driven by recent improvements in furniture, which we believe presents an opportunity for growth in the coming year as we continue to lean into the brand's unique home aesthetic.

Through strong execution in product, marketing, and creative content, the Anthropologie team successfully fostered broad-based customer growth and engagement this quarter. This integrated approach not only drove positive traffic trends across their store and digital channels but was also key to expanding the customer base.

Overall, we are pleased with the brand's execution and based on our current plans we believe the brand has the ability to deliver between low to mid-single digit positive 'comps' in the second quarter.

Now turning to the Urban Outfitters brand, which continued to build meaningful momentum in the first quarter on top of last year's positive performance. Total Urban Outfitters sales grew by over 11%, and the global Retail segment 'comp' was 9%, with strength across both North America

and Europe. Digital 'comps' outpaced store 'comps' in North America, while in Europe the store business led the digital channel.

In North America, the team delivered positive 'comps' across women's apparel, accessories and home. Within Women's apparel, the strong bottoms trend continues to fuel growth, complemented by incredible performance in their key items. The positive Retail segment 'comp' was driven by reg price sales which outpaced total 'comp'.

The brand's marketing initiatives fueled positive traffic in both stores and digital this quarter, resulting in double-digit growth in new customer acquisition while maintaining high retention rates across their existing base. This success is rooted in the brand's strategic commitment to platform diversification—meeting our audience wherever they engage. The brand was excited to launch DoorDash in April, which successfully expanded through May; and they are incredibly encouraged by the early conversion and reach of this partnership. Furthermore, the brand has evolved their influencer model to lean heavily into user-generated content. The brand's recent Spring campaign served as a powerful proof point for this shift, as it was uniquely shaped by the brand's creators and customers. By transitioning to a more community-oriented campaign structure, the brand is fostering a deeper, more authentic connection with their audience.

In Europe, the business continues to be a standout performer. The European team produced a remarkable 12% Retail segment 'comp' despite being up against healthy comparisons versus the prior year. European stores outperformed the digital channel, leading to a nice increase in profitability for the quarter. Their consistent execution in product and marketing is allowing them to continue capturing meaningful market share.

We are pleased by the progress of the global Urban Outfitters brand. We believe the brand is well positioned to deliver high single-digit positive Retail segment 'comps' for the second quarter, while continuing to make meaningful progress in growing their profitability.

Now moving to the Nuuly brand, which delivered another strong performance this quarter, continuing to scale both its subscriber base and its financial results. Total revenue grew by 35%, driven by a 33% increase in average active subscribers. This was an increase of 110,000 average active subscribers compared to the prior year Q1 and, as of today, the brand is currently sitting on the doorstep of half a million active subscribers.

This subscriber growth reflects continued strong demand for the service, supported by effective marketing campaigns and healthy subscriber retention.

Nuuly generated operating profit of \$10 million in the first quarter, representing a 6% operating profit rate. This improvement was driven by operating leverage as the business scales, partially offset by continued marketing investments to sustain subscriber growth. The brand's ability to grow its subscriber base while simultaneously improving its economics is a meaningful indicator of the health and scalability of this business. We remain committed to scaling Nuuly toward its significant long-term potential while continuing to improve its profitability.

The last topic I want to address is the overall tariff and freight environment and its impact on our business.

First, let's discuss fuel costs. We are currently navigating higher inbound freight costs and higher delivery expenses driven by fuel surcharges associated with the ongoing conflict in the Middle East. We are assuming these costs will remain consistent for the remainder of the year. These additional costs could have a negative impact of approximately 45 bps in IMU relating to higher inbound costs and 25 bps in outbound delivery & freight expense due to increased fuel surcharges. If the price of oil declines and holds at any point in time in the future we would expect to see a corresponding reduction in these increased expenses.

Next, let's discuss the tariffs. Navigating the current tariff landscape is difficult and seemingly ever-changing. Let me try to organize it as best I can. I will start in chronological order. The IEEPA tariffs imposed last Spring were declared illegal this Spring. In some countries, such as India where we source a meaningful amount of product, the tariff rates reached as high as 50% from August last year through the start of Fiscal year '27. In the meantime these IEEPA tariffs were used to negotiate bilateral tariff agreements with most of the countries from which we source our products. The agreed upon bilateral tariff rates varied from 10% to 22%. We have filed for refunds from the IEEPA tariffs imposed in the Spring of last year and expect to receive approximately \$100 million in refunds in the second quarter. We are planning to record these refunds as a one-time benefit in the second quarter.

After the IEEPA tariffs were ruled illegal, the Administration quickly imposed a new 10% Section 122 tariff on almost all imports. These tariffs took effect in mid-March and run through the end of July. These have now also been ruled illegal but we are required to continue to pay them. It is possible we will receive refunds on these Section 122 tariffs sometime in the future.

There is much uncertainty regarding what will happen once the Section 122 tariffs expire but since a number of bilateral agreements were reached under the IEEPA tariffs, we assume that some form of tariffs similar to those agreements will be imposed. So, in order to plan conservatively, we are planning for a 15% across the board tariff for our imports in the second half of the year. If it turns out receipts from any country face a different charge than 15% we will have an additional cost or benefit vs. our plan. The good news is if our 15% estimated rate is reasonably accurate to what actually occurs, we will have a net favorable benefit to IMU in the second half of the current year. That benefit does take into consideration the additional fuel costs we expect to pay during that period.

In summary, the record breaking first quarter of FY'27 reflects the underlying strength of our diversified brand portfolio. Total revenue grew over 11%, Free People delivered a standout performance across both retail and wholesale, Urban Outfitters continued its strong topline 'comp' alongside meaningful operating results improvement, Nuuly robustly grew its average active subscriber base while continuing to improve their profits, and our Wholesale segment delivered exceptional results. Anthropologie quickly responded to a slow start to the quarter and as fresh

new spring and summer products arrived, their ‘comp’ sales performance improved nicely. We enter the second quarter proud of all our teams performance and confident in our growth plans.

Now, I will now turn the call over to Sheila Harrington, Global CEO of Free People Group and the Urban Outfitters brand. Thank you.

## **Sheila Harrington**

Thank you, Frank.

For the purposes of this discussion, FP Group refers to the entire brand footprint, spanning both Free People and FP Movement across all retail segments and wholesale channels.

Both Free People and FP Movement delivered an exceptionally strong quarter. Total FP Group revenue increased 17% year-over-year, driven by sustained momentum across both our Wholesale and Retail segments.

Wholesale revenue surged 26%, while the Retail segment grew 14%. This includes a 10% retail segment ‘comp’, marking our 24th consecutive quarter, or six full years, of positive Retail segment ‘comps’ for the FP Group.

The Free People brand delivered total revenue growth of 12%, with Wholesale up 16% and the Retail segment up 11%, driven by a 9% Retail segment ‘comp’. FP Movement continued its impressive trajectory, delivering total brand revenue growth of 32%. This was driven by a 15% Retail segment ‘comp’, strong ‘non-comp’ performance, 6 new store openings in the quarter, and 48% wholesale growth. This success was directly supported by well executed product distortion and impactful creative marketing in both brands.

In addition to the strong top-line performance, total FP Group delivered record first quarter profitability. Both Free People and FP Movement achieved record low markdown rates, fueled by exceptional regular price selling that outpaced total sales growth. Total brand profitability also benefited from strong store performance which outpaced digital, alongside meaningful leverage within the wholesale channel.

For the Free People brand, there was broad based strength across the entire assortment, including tops, bottoms, intimates and accessories. Furthermore, store performance nicely outpaced digital across North America, and Europe. This was driven by positive traffic and conversion trends, as well as higher transaction values. These metrics reflect the power of our regular price selling, a favorable product mix, and our continued investment in elevating product quality.

On the marketing front, the brand executed a highly successful creative digital campaign, “*The Art of the Pant.*” This initiative showcased the originality and elevated positioning of our pant assortment while celebrating creativity within the broader art community. The campaign exceeded our expectations, driving robust new customer acquisition.

Turning to FP Movement, Notably, a strategic emphasis on our bottoms and bra categories drove outpaced performance and double-digit new customer acquisition.

Similar to Free People, these results were supported by strong full-price selling. Despite IMU headwinds related to tariffs during the quarter, disciplined execution allowed the brand to deliver year-over-year merchandise margin improvements.

FP Movement continues to gain significant cultural relevance, reinforcing its position as a distinct and unique growth vehicle within the URBN portfolio. During the first quarter, the brand successfully activated key partnerships, including a collaboration with Barry's, the leading high-intensity training studio chain, which we expanded into Selfridges in London. This activation successfully elevated brand visibility, globally.

Now I want to take a moment to discuss the longer-term strategic outlook for both Free People and FP Movement.

We have reached a critical inflection point where we no longer view these as parent and sub-brand. Instead, we are managing them as two independent ecosystems, each serving genuinely different market opportunities.

I want to be clear: this evolution is not a sudden shift, but a deliberate and strategic transition. We are moving thoughtfully to ensure we maximize what is best for both brands, not just from a top-line perspective, but through the lens of disciplined expense management and intellectual leverage. By sharing our collective expertise and proven brand-building playbooks, we ensure that as each ecosystem grows, it does so with the operational wisdom and efficiency of the entire FP Group.

These two ecosystems coexist perfectly. Free People continues to anchor our portfolio with its decades-long legacy of creative storytelling and crafted original products, while FP Movement is strategically architected to lead the activewear market through a unique fusion of technical performance and elevated style. By decoupling their growth strategies, we can pursue each opportunity with singular focus, anchored always by our unwavering commitment to creativity and the value of original ideas.

By anchoring Free People and FP Movement in their own singular, authentic voices, we are feeding digital platforms that 'remember' brand identity. This maximizes our discoverability today and deepens our competitive moat for years to come. We believe this 'dual-ecosystem' approach positions us uniquely well for an AI-driven world.

Turning to the Free People brand, we continue to build formidable momentum across four strategic pillars.

First, our international expansion remains a high-conviction opportunity. We currently operate 13 European locations and our wholesale business remains underpenetrated, leaving us a massive runway for growth. Our recent strong entry into Scotland with the Edinburgh opening is a perfect example of the international opportunity ahead of us. This success, combined with double-digit

Retail segment 'comp' growth and strong four-wall profitability in the European market, reinforces our commitment to keep global expansion at the forefront of our long-term strategy.

Second, we are aggressively modernizing our domestic footprint across both retail and wholesale. In our retail segment, we are strategically evolving our store base—investing in larger-format locations and high-impact remodels that are already yielding meaningful sales lifts and deeper customer engagement. Simultaneously, we are scaling our wholesale business through thoughtful category expansion. By aligning with correctly positioned partners across our portfolio of labels including, *We The Free*, *Free-est*, and *Intimately FP*, we are capturing new demographics and broadening our market reach without compromising our brand integrity.

Third, brand elevation remains our north star. We believe that when we lead with distinctive and uniquely designed product, uncompromising quality, and clear value, we solidify our emotional connection with our customer. This is powered by our agile sourcing strategy, which gives us the speed to react to emerging trends and maximize market opportunities in real-time.

Finally, we are focused on the evolution of our digital platform. The enduring consistency of the Free People brand provides the perfect foundation to leverage AI-driven tools. We have begun to use these technologies to optimize customer acquisition and build a scalable digital environment that speaks with a singular, authentic voice.

Now, turning to FP Movement. As we accelerate this brand's growth, I would like to call out our new President, Andrea Perez, now leading the brand. With this dedicated leadership in place, we are positioned to be a major disruptor in the activewear space. We are not simply participating in the category; we are redefining it.

Our strategy is focused on four key areas of growth. First, we are aggressively expanding our consumer ecosystem. We know that FP Movement's appeal extends far beyond the core Free People base, and the results bear this out. In Q1, we saw the FP Movement-only consumer continue to grow significantly and continue building momentum year-over-year. We are building a distinct identity through elevated storytelling, while ensuring our content is 'AI-ready' to drive compounding returns on discoverability as digital platforms evolve.

Second, we continue to scale through domestic optimization. Store expansion remains a proven, high-return lever for us. After ending last year with 25 new store openings to reach 88 standalone locations, we have more than 20 new store openings planned for the current fiscal year. Our 'shop-in-shop' model remains a highly successful incubator for these standalone stores; in fact, in several markets, we are seeing productivity and profitability that exceed our legacy benchmarks. Additionally, to support growth in the wholesale channel, we are being incredibly intentional—targeting premium specialty partners, including boutique studios and outdoor retailers, that reinforce our brand authority.

Third, we are turning our focus to International Expansion. The global opportunity for FP Movement is compelling and untapped. We will lead our international growth through a strategic mix of wholesale partnerships and direct-to-consumer channels, allowing us to scale brand awareness rapidly while maintaining a deep, authentic connection with our global community.

Finally our fourth pillar, we remain obsessed with product innovation and technical performance. We understand that today's active consumer refuses to choose between function and fashion, and FP Movement is engineered exactly at that intersection. We will continue to lean into this 'white space' where elevated style meets authentic athletic functionality. This is our competitive advantage, and we intend to widen it.

In closing, we have two distinct brands with real momentum, long-term strategic opportunities, focused teams and strong new leadership executing against them. We are confident and excited about our long-term success.

Finally, I want to thank Meg and the creative teams in both brands, Andrea, along with the entire Free People and FP Movement teams for your shared passion, creativity, and unwavering focus on our consumer.

I'll now turn the call over to Melanie.

### **Melanie Marein-Efron**

Thank you, Sheila, and good afternoon, everyone. On today's call I will discuss our thoughts on the second quarter and full year fiscal 27.

We're off to a solid start this quarter, and based on what we're seeing so far, we are planning for Q2 total company sales to grow in the high single digit. In our Retail segment, 'comp' sales could grow mid-single-digit, driven by high single-digit positive Retail segment 'comps' at Urban Outfitters and FP Group brand while Anthropologie brand could be low to mid-single-digit positive 'comps'. At Nuuly, the brand could deliver mid to high twenties revenue growth, driven by continued subscriber momentum. Finally, our wholesale segment could produce mid-teens growth. We continue to believe we could deliver positive high single-digit total company sales growth for the full year FY27. This growth could be driven by mid-single-digit Retail segment 'comps', mid-twenties revenue growth at Nuuly and high single-digit growth for the wholesale segment.

Based on our current plans, we believe our full fiscal year 27 gross profit margins could be up approximately 25 bps versus last year, with the second half showing a benefit to IMU. This guidance reflects the current section 122 tariffs at 10% until the end of July and an estimated 15% blended tariff for the second half of the year. In addition, we are assuming that current oil surcharges related to the middle east conflict remain in effect for the remainder of FY27. These surcharges, which began in March, impact inbound freight and delivery and outbound freight expenses. Based on current surcharges, they represent approximately 70 bps unfavorable impact per quarter. Based on the current sales performance and plans, we believe our second quarter gross profit margins could be flat to down by approximately 25 bps versus last year. The reduction in Q2 gross profit rate could be primarily due to lower IMU due to the increased tariffs vs last year, along with the fuel surcharges.

Based on our current sales performance and financial plan, we believe Q2 total growth in ‘SG&A’ could grow at or slightly ahead of sales growth due to marketing investments at all brands to support new customer acquisition along with increased technology investments. These technology investments relate to several AI related projects. We believe that these technological investments will provide significant benefits for years to come. Now for the full year, we believe that ‘SG&A’ growth could grow at rate in line with sales growth. As always, if sales performance fluctuates, we maintain a certain level of variable ‘SG&A’ spending that we can fluctuate up and down depending on how our business is performing.

We’re planning for an effective tax rate of approximately 22.5% for Q2 and the full year

Now moving onto inventory. We continue to be focused on increasing our product turns. We believe that our inventory levels could grow at a rate at or below sales growth.

For FY27 capital expenditures are planned at approximately \$475 million. The FY27 capital project spend is broken down as follows: approximately 35% for retail store expansion and support, approximately 50% for logistics investments and the remaining 15% for technology investments and home office expansion to support our growing businesses. The logistics investments are to expand our capacity and automation in both the subscription and retail segment businesses.

We will be opening approximately 54 new stores and closing approximately 19 stores during fiscal year 27. Our net new store growth is primarily being driven by growth in FP Movement, Free People and Anthropologie stores. During FY27, we plan on opening 21 FP Movement stores, 12 Free People stores, 13 Anthropologie stores and 8 Urban Outfitters 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. Now it is my pleasure to turn the call back to Dick Hayne, Chief Executive Officer of URBN.

## **Dick Hayne**

Thank you, Mel.

Sheila, once again, congratulations to you and both the Free People and FP Movement teams on the exceptional quarter you produced — the results speak for themselves. It is a credit to the talent and creativity you have built within both teams. Thank you.

In addition to the FP Group, I am proud of what all our teams delivered in the first quarter. Every one of our Retail segment brands posted positive ‘comps’. This is no coincidence; it is the result of years of disciplined investment in our brands, our people, and the experiences we create for our customers. Beyond Retail, the Wholesale and Subscription segments also posted strong double-digit revenue growth and solid profitability.

What gives me confidence as we look ahead to the rest of the year is not just the numbers, but the underlying health of the business. Free People and FP Movement are performing with genuine distinction. Urban Outfitters is on a clear and meaningful path forward in North America and is already excelling in Europe. Anthropologie showed real resilience, turning a slow start to Q1 into a positive ‘comp’ as well-received products hit shelves in March and April. Nuuly continues to scale with impressive speed – well on its way to the magic \$1B goal, and our Wholesale business is delivering outstanding top and bottom-line results. Taken together, this portfolio gives us confidence that our brands have the opportunity to deliver positive ‘comps’ for the full year, with margin expansion and record profitability.

The strength of our business is built on the talent, creativity, and dedication of our teams. However, even the most talented team can and will have an occasional off-season. The consistency of URBN, which has allowed for seven consecutive quarters of record sales and profits, stems from our diversification. From our first store near the University of Pennsylvania campus, which offered multiple product categories in a lifestyle setting, to geographic diversification beyond Philadelphia and later outside the US, to the introduction of additional retail brands and distribution channels, and most recently, the launch of a subscription rental brand, the history of our Company is one of progressive diversification. It is a genuine competitive advantage that our talented teams bring to life every day.

No matter how talented our teams are, we remain dependent on the health of our customers. Much has been written about the consumer in a "K-shaped" economy. My observations today focus on our specific customer set, most of whom reside in the top half of that "K." Despite the daily noise and turmoil in the macro environment, our customers' shopping behavior has remained remarkably consistent over the past few years, including the current year to date. They remain positive and continue to engage enthusiastically with our brands, responding to fashion newness and seeking the quality and creativity that define what we do. In short, our customers are in excellent shape. They are financially secure and are more interested in fashion than price. With a strong customer base, a diversified portfolio of distinguished brands, and outstanding teams, we believe our future shines very bright.

In closing, I offer my sincere thanks to the entire URBN family, especially to our Co-Presidents, Meg and Frank, and all of our brand leaders. I also want to thank our global partners and our shareholders for their continued support.

That concludes our prepared remarks. We now invite your questions.