

URBAN OUTFITTERS, INC.

Fourth Quarter Fiscal 2015 ended January 31st, 2015 Management Commentary

Summary Highlights

The following are highlights from our Fourth Quarter Fiscal Year 2015 performance versus the comparable quarter last year:

- Net sales increased 12% to \$1.01 billion.
- Comparable Retail segment net sales, which include our comparable direct-to-consumer channel, increased 6%.
- By major brand, comparable Retail segment net sales increased 18% at Free People, 6% at the Anthropologie Group, and 4% at Urban Outfitters
- Wholesale net sales increased 21% to \$58 million.
- Gross profit increased 5% to \$350 million, while gross profit rate decreased 207 basis points to 34.6%
- Income from operations decreased 4% to \$124 million and operating profit rate declined 199 basis points to 12.3%.
- Net income was \$80 million or \$0.60 per diluted share.

Revenue

Retail Segment – Comparable Retail Segment net sales, which include our comparable direct-to-consumer channel, increased 6% driven by strong direct-to-consumer growth which more than offset negative comparable store net sales. Within the quarter, total Company comparable Retail segment net sales were strongest in January, followed by November, then December. The Company opened 9 new stores and closed 2 stores due to lease expiration during the quarter bringing the global store count to 546. Direct-to-consumer growth resulted from increases in sessions, orders, average order value and conversion. Negative comparable store net sales resulted from a reduction in transactions and units per transaction, which were partially offset by an increase in average unit selling price.

Wholesale Segment – Wholesale segment net sales increased 21% to \$58 million in the quarter driven by double-digit sales growth at specialty accounts and department stores.

Brand Highlights for the Fourth Quarter

Anthropologie Group – The group, which consists of the Anthropologie and Bhldn brands, opened 5 new stores during the quarter bringing the global store count to 204. Square footage increased 7% over the prior year period to 1,413,621. Comparable Retail segment net sales, which include the comparable direct-to-consumer channel, increased 6%. Comparable store net sales were negative across all regions with all performing fairly consistently. Comparable store net sales underperformed in all venues with lifestyle centers slightly outperforming the average. By Retail segment merchandise category, women’s apparel was the strongest and accessories were the weakest.

Free People – The brand did not open any new stores during the quarter with total store count remaining at 102. Square footage increased 21% over the prior year period to 158,745. Comparable Retail segment net sales, which include the comparable direct-to-consumer channel, increased 18%. By region, comparable store net sales were strongest in the East with all regions posting positive comparable net sales. By venue, store net sales were strongest in traditional mall locations. All merchandise categories delivered significant positive comparable net sales.

Urban Outfitters– The brand opened 4 new stores and closed 2 stores due to lease expiration in the quarter bringing the global store count to 238. Square footage increased 6% over the prior year period to 2,151,162. Comparable Retail segment net sales, which include the comparable direct-to-consumer channel, increased 4%.

In North America, by region, comparable store net sales were strongest in the Northwest and weakest in the Northeast. Comparable store net sales underperformed in all venues. By Retail segment merchandise category, home was the strongest while men’s apparel was the weakest.

In Europe, by region, comparable store net sales were strongest in the United Kingdom. By Retail segment merchandise category, women’s accessories were the strongest and women’s apparel was the weakest.

Other Brands – Other brands include Terrain. Net sales for Terrain increased by \$1 million primarily driven by growth in store net sales.

Gross Margin

Gross profit in the quarter increased 5% to \$350 million. Gross profit rate declined by 207 basis points versus the prior year’s comparable period. The deleverage in gross profit rate was primarily due to lower initial merchandise markups followed by higher markdowns, which were primarily driven by the underperformance at the Urban Outfitters brand.

Selling, General & Administrative Expenses

Total selling, general and administrative expenses, expressed as percentage of net sales, leveraged by 8 basis points to 22.3%.

Other Income Statement Items

The Company's effective tax rate for the quarter was 35.0% compared to 31.7% in the prior year period. The tax rate variance is due to prior year favorable one-time benefits pertaining to a federal rehabilitation credit received related to the expansion of the Company's home office and the release of foreign valuation allowances.

Balance Sheet and Cash Flow Items

Cash, Cash Equivalents and Marketable Securities decreased from the prior year by \$527 million to \$363 million, primarily due to share repurchase activity in fiscal 2015.

Total inventories increased \$47 million to \$358 million, a 15% increase over the prior year period. The growth in total inventories is primarily related to the acquisition of inventory to stock new and non-comparable stores as well as an increase in comparable Retail segment inventories. Comparable Retail segment inventories increased 7% at cost while decreasing 7% in units.

Total capital spending was \$54 million for the quarter and depreciation and amortization was \$35 million for the quarter.

On August 27, 2013, the Board of Directors authorized the repurchase of 10.0 million common shares under a share repurchase program. During the first quarter of fiscal 2015, the Company repurchased and retired 9.7 million common shares for approximately \$353 million completing the share repurchase authorization. On May 27, 2014, the Board of Directors authorized the repurchase of an additional 10.0 million common shares under a share repurchase program. During the year ended January 31, 2015, the Company repurchased and retired 7.7 million common shares for approximately \$258 million, leaving 2.3 million shares available for repurchase under the authorization. On February 23, 2015, the Board of Directors authorized the repurchase of an additional 20.0 million shares under a share repurchase program.