URBAN OUTFITTERS, INC.

Fourth Quarter, FY'10 Conference Call
March 4, 2010

Participants

Glen T. Senk	Chief Executive Officer
Eric Artz	Chief Financial Officer
John Kyees	Chief Investor Relations Officer
Meg Hayne	President, Free People
Ted Marlow	President, Urban Outfitters
Wendy McDevitt	Co-President, Anthropologie
Wendy Wurtzburger	Co-President, Anthropologie
Glen Bodzy	General Counsel
Bill Cody	Chief Talent Officer
Frank Conforti	Controller
Calvin Hollinger	Chief Information Officer
Barbara Rozsas	Chief Sourcing Officer
Freeman Zausner	Chief Administrative Officer
Dave Ziel	Chief Development Officer

Introduction

Good morning. It's my pleasure to welcome you to the URBN quarterly conference call. Joining me today is Eric Artz, Chief Financial Officer; John Kyees, Chief Investor Relations Officer; and our senior team including the majority of our brand and shared service leads.

Earlier today the Company issued a press release outlining the financial and operating results for the three and twelve month periods ending January 31st, 2010. I will begin today's call by reading prepared commentary regarding our performance; then the group and I will be pleased to answer any questions you may have.

As usual, you will be able access the text of today's conference call on our corporate website at www.urbanoutfittersinc.com.

Highlights

We are delighted to report a series of record-breaking results for the quarter and for the year. The following summarizes our Fourth Quarter Fiscal 2010 performance versus the comparable quarter last year:

- Net sales increased 16% to $589 million—the largest quarterly revenue performance in our history.
- Income from operations grew 88% to a record $119 million, resulting in a best-ever fourth quarter operating margin of 20%.
- Net income increased 92% to a record $78 million or $0.45 per diluted share.
- Comparable Retail Segment sales, which includes our Direct-to-consumer channel, rose by 9%.
- Comparable store sales increased 4%; 'comp" sales at Urban Outfitters were flat, and 'comp' sales at Anthropologie, Free People and Terrain rose by 10%, 11% and 23% respectively.
- Direct-to-consumer sales soared 28% despite a strategic 18% reduction in circulation, with all three brands posting double-digit increases.
- Wholesale Segment revenues declined 2% to $23 million.
- Gross profit margins increased 771 basis points, driven by significant gains in initial margins and reductions in merchandise markdowns to clear seasonal product.
- Comparable store inventories were 3% lower at quarter's end.
- Selling, general and administrative expenses, expressed as a percentage of sales, declined one basis point for the period despite a significant accrual of additional incentive-based compensation expense related to our annual performance and earnings.
- Finally, Cash, Cash Equivalents and Marketable Securities grew by $224 million to $745 million.

I'll begin this morning by providing more detail on each of our key business metrics for the quarter, starting with sales:

Retail Sales

New and non-comparable store sales contributed $40 million including a gain of $3 million in currency translation adjustments for foreign-based sales.

The Company opened 8 new stores in the quarter—4 each for Anthropologie and Urban Outfitters, including 1 Urban Outfitters in Europe, bringing the total new stores opened for the year to 33.

Within the quarter, comparable store sales were positive each month but strongest in December. By region, sales at Anthropologie were positive in all locations but strongest in the Northeast and South; in comparison, sales at Urban Outfitters were strongest in the Midwest and lagged on the West Coast. By store venue, sales at Anthropologie were uniform across all types whereas sales at Urban Outfitters were strongest in mall locations.

The Company's 'comp' store sales performance was driven by a 4% increase in transactions and a 4% increase in average unit selling price which more than offset a 4% decrease in average units per transaction. By brand, the number of transactions increased 8%, 25% and 2% at Anthropologie, Free People and Urban Outfitters respectively. Average unit selling prices increased 14% at Anthropologie and decreased 8% and 2% at Free People and Urban Outfitters respectively. Finally, units per transaction were flat at Urban Outfitters and down 11% and 4% at Anthropologie and Free people respectively.

Direct-to-consumer sales increased 28% to $112 million despite a strategic circulation decrease of 18%. The penetration of Direct-to-consumer sales to net sales as a whole increased nearly 2 percentage points to 19%, highlighting a secular shift in the way our customer is shopping. The results were driven by more than 26 million website visits, a gain of 27% or five-and-a-half million additional visits.

The Direct-to-consumer channel was double-digit positive across all brands, and our strategic investments in assortment, site experience, fulfillment and social media continued to yield high returns.

Since the Direct-to-consumer channel is becoming such a meaningful part of each brand's revenue, effective next quarter, the Company will begin to report Comparable Retail Segment sales by brand and will limit comparable retail store sales information to the total Company's performance.

By merchandise category, women's apparel and accessories led the pace at Anthropologie and men's and women's apparel were strongest at Urban Outfitters. As we've communicated consistently throughout the year, there were powerful fashion cues in our business, and our customers continued to discriminate by responding to newness, scarcity, and great, authentic design.

Our comparable store inventories were 3% lower at quarter's end. The brand presidents are very comfortable with our inventory position, and as I have mentioned before, they will continue to focus on achieving appropriate reductions in our inventory weeks-of-supply because we believe it positively impacts the customer experience, and ultimately results in improvement to maintained margins.

Wholesale Sales

I'd like to now turn your attention to our Wholesale Segment for the Fourth Quarter.

With the addition of Leifsdottir, revenue declined by 2% to $23 million due primarily to a strategic reduction in clearance sales.

Free People's wholesale revenue decreased by 5% to $21.9 million, with sales to specialty stores increasing 7%, sales to department stores decreasing 2%, and sales to clearance outlets decreasing 28%. The brand's average unit selling price increased 17% while unit sales declined 19%, driven primarily by the reduction in closeout sales.

Leifsdottir's wholesale revenue increased 77% to $1.6 million, and we continue to gain confidence in the brand's long-term potential.

Gross Margin, SGA and Income

I'd like to now turn your attention to gross margin, operating expense and income.

Gross Margin

Gross margins for the quarter increased 771 basis points to 41.7% driven largely by gains in initial margin and a reduction in markdowns to clear seasonal product. Let me reiterate that over the long-term, we believe we have additional initial margin opportunity, and opportunity to reduce markdown levels to our historic average.

SG & A

The organization continued to exhibit exceptional discipline in managing expenses while simultaneously making strategic investments in design, the supply chain, technology, our Direct-to-consumer businesses and our European infrastructure.

Total selling, general and administrative costs for the quarter, as a percent of sales, decreased by 1 basis point to 21.6% despite a significant accrual of additional incentive-based compensation expense related to our annual performance and earnings.

Income

The Company generated an impressive 20% operating margin, earning a record $119 million of income from operations, an increase of 88% versus the same quarter last year.

We also achieved our highest-ever net income for a quarter—$78 million, an increase of 92% from the prior year, with earnings per diluted share of $0.45.

The Company's annual effective tax rate for the year was 36.2% versus 35.6% for the prior year. The increase in the current year rate is primarily attributable to a lower proportion of tax free interest income due to a strategic shift to a mix of lower risk securities versus the prior year's holdings. The Company estimates that next year's annual effective tax rate will be approximately 35.9%. The expected favorable change in next year's rate will be due in part to an increase in income generated from foreign operations.

Closing Comments

We've just completed a year that most of us will never forget—a year that was extraordinary in so many ways, and a true test of our organization.

I think it's fair to say that our Company experienced the impact of the 2008 economic reset later than many of our peers. Given our exceptional fourth quarter results, I believe it's also accurate to say that we adjusted to the reset faster than many of our peers.

Let me remind you that our business grew 22% in 2008; that we finished the year with an 8% comparable store sales gain and a 32% increase in our Direct-to-consumer channel. It wasn't until the fourth quarter of 2008 that our performance decelerated to a 1% 'comp' sales decline and 20% Direct-to-consumer sales growth. We reached the nadir of this cycle the following quarter—the first quarter of 2009—with a 10% 'comp' sales decline and Direct-to-consumer growth of just 4%.

The organization reacted swiftly to the unprecedented challenge, and as soon as the environment began to stabilize, they were able to read patterns in the business and respond accordingly. Driven by the teams' effective efforts, the trend improved in each quarter throughout 2009, culminating in our record fourth quarter performance. I'm equally pleased to announce that our current February sales results exceeded our fourth quarter performance which gives us confidence that our strategies have taken firm hold.

These are the results of an exceptional organization—an organization characterized by passion, tenacity, intellect, agility, discipline, creativity and alignment. I believe these results also highlight the efficacy of our operating model and strategy, and for that, I offer the organization's appreciation to Dick and the board.

Before I close the call I'd like to spend a few minutes reviewing our priorities for the year. We have four key initiatives, and I'll touch on each of them briefly.

1. Our first focus is driving continuing gains in four-wall productivity. If we can continue our historic ten-year average 'comp' rate over the next decade, we'll drive an incremental $1.2 billion to the Company's top-line.
    - Our strategies include making continued improvements in four key areas: right product, right time, right place, right price; site selection and store design; store operations; and marketing, including the launch of our cross channel database.

2. Our next priority is to continue to drive our ecommerce business resulting in a higher penetration of Direct-to-consumer sales to total Company sales. We're unwilling to set a limit to the level of penetration, and we're increasingly channel-agnostic as to how the customer reaches us.
    - Our strategies for the year revolve around making iterative and disruptive changes to our online merchandise content, continuing to improve our websites, continuing to increase access to our brands through mobile technology, continuing to improve fulfillment operations, and continuing to mine social media.

3. Our third priority is international expansion. We have every indication that the Company can achieve an appropriate level of profit and productivity in Europe—Urban Outfitters has made great strides over the last several years including a successful entry into Germany and a thriving launch of ecommerce; Anthropologie opened very successfully in London last fall and is about to open its second London location and launch its ecommerce site this month; and Free People will begin a course of European wholesale expansion in the current year.
    - Andrew McLean, the Company's Chief Operating Officer for Europe, is leading many of our European infrastructure and tactical improvement initiatives including comprehensive market research and due diligence, the design and implementation of a logistics and fulfillment strategy, upgrades to our retail and Direct-to-Consumer operating systems and so on.
    - We have also begun to lay the groundwork for the Company's expansion to the Far East. It is unlikely that we will have anything definitive to report in the near future, but we are targeting a calendar 2012 or 2013 launch.

4. Our fourth and final priority is adding new brands to the URBN portfolio. We see our Company as a group of niche brands, and because we feel so strongly that scarcity creates value, we envision the Company will be comprised of a minimum of six significant brands over the next ten years.
    - To that end, we are advancing our efforts with Leifsdottir—we launched the Leifsdottir website two weeks ago, we plan to launch shoes and handbags for shipment in the beginning of 2011, and we expect to open our first retail store in 2011. It's still too early in the brand's development to talk about long-term potential, but the early signs continue to be extremely positive.
    - We were also very pleased with the progress that Terrain made during the fourth quarter. I have said repeatedly that Terrain reminds me of

Anthropologie in the early days—the customer loves it—and her enthusiasm for the experience is now generating significant increases in 'comp' sales. The Terrain team is confident that they can maintain the positive momentum.

- I am also pleased to announce that the Company will be launching its next brand on Valentine's Day, 2011—a wedding lifestyle concept that we hope will be as innovative as our existing brands. We plan to sell an event-based assortment of heirloom wedding gowns; bridesmaid and special occasion dresses; shoes, bags and accessories; intimate apparel; invitations, décor and gifts. We also expect to offer a community for brides before, during and after the wedding. The brand will initially launch with a website followed by a store opening later in the year.

Of course none of these initiatives happen without people and I'd like to take a moment to announce three important promotions in the Company. I couldn't be more pleased to recognize Barbara Rozsas who was just promoted to Chief Sourcing Officer and Wendy Wurtzburger and Wendy McDevitt who were just promoted to Co-President of the Anthropologie brand. Collectively these three women have more than 40 years with our Company and they are each best of class at what they do. There is not a day that goes by when Barbara, Wendy and Wendy don't make our organization better, nor is there a day that goes by when they don't teach me something or make me a better leader. The organization and I are profoundly grateful to their commitment, and it is a joy to publically recognize their extraordinary contribution to our Company.

I firmly believe we are a better company today than we were a year ago, and I hope I have conveyed the sense of the optimism we are feeling. As we have often stated, the Company's overarching goal is constant and simple: to grow revenue by at least 20%, to grow profit at a faster rate than sales, and to reach a minimum of 20% operating margin. As always, the leadership team and I look forward to continuing to inspire our customers and reward our shareholders and employees alike.

Q & A

I will now open the call to questions, and as is our custom, I ask each of you to limit yourselves to one question. Thank you.