

## URBAN OUTFITTERS, INC.

Second Quarter, FY'26 Conference Call  
August 27, 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 second quarter fiscal 2026 conference call. Earlier this afternoon, the Company issued a press release outlining the financial and operating results for the three and six-month period ending July 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 sales grew by 11% and net income increased by 22%, both new second quarter records. We are especially pleased to report that all brands produced positive 'comps' across all geographies, including the Urban brand in North America.

The agenda for today's call includes comments from Frank Conforti, our co-President and COO, who will elaborate on Q2 performance by brand and business segment, and address the tariff situation. After Frank, we will spend some time talking about the exciting second quarter successes at the Urban Outfitters brand. Speaking to this will be Sheila Harrington, Global CEO of Urban Outfitters, Emma Wisden, Urban's European President, and Shea Jensen, North American President. After that, Melanie Marein-Efron, our CFO, will walk you through our outlook for the second half. I will then wrap things up with a few closing thoughts before we open the call for your questions.

I will now turn the call over to Frank.

## **Frank Conforti**

Thank you, Dick, and good afternoon, everyone.

Today, I'm excited to share our company's second-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 11%, reaching a Q2 record of \$1.5 billion. All of our Retail segment brands delivered positive Retail segment 'comps,' and four of our five brands posted record second-quarter sales. Nuuly continued to deliver exceptional performance, as the brand posted record revenue and operating income driven by an increase of 120,000 average active subscribers compared to the prior year.

Our total sales growth was partly driven by a 6% increase in the Retail segment 'comp,' with URBN's 'comps' being similar in both channels. Nuuly delivered impressive 53% revenue growth, with a 48% increase in average active subscribers. Additionally, the Wholesale segment delivered an 18% increase in revenue, driven by growth in all channels of distribution.

Next, I will turn your attention to gross profit. URBN saw a 15% increase in gross profit dollars, reaching a record \$566 million. The gross profit rate also improved nicely by 113 basis points, rising to 37.6%. The improvement in gross margins was primarily driven by lower markdowns, largely driven by the Urban Outfitters brand as well as occupancy leverage driven by the strong topline growth.

In the quarter, 'SG&A' increased by 13%, deleveraging by 28 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, while Nuuly's campaigns resulted in healthy double-digit growth in average active subscribers.

Overall, total URBN operating income rose by 20% compared to last year, reaching \$174 million, while the operating profit rate improved by 85 basis points to 11.6%. Net income saw a 22% increase to a new Q2 record of \$144 million or \$1.58 per diluted share.

Now moving on to brand performance, starting with Anthropologie. The Anthropologie team had another fantastic quarter, achieving a 6% increase in their Retail segment 'comp,' which marks over four years of consecutive quarterly positive 'comps.' This success was fueled by equal strength in the digital and store channels, both of which benefited from increased traffic and transactions. Every product category saw positive regular price and total sales 'comps,' with strong performance across shoes and accessories in addition to apparel and home.

Strength in apparel was driven by the team's continued success in expanding their product offering to fit their customer's full lifestyle. In addition to Celandine, an Anthro own brand offering year-round vacation-ready styles and Daily Practice, Anthro successfully launched another own brand, Lyrebird, providing an expanded assortment of intimates and lounge. All three Anthropologie own brands showed strong growth within the second quarter and continued to expand the customer share of wallet with Anthropologie. Within the home category, home accessories led the growth, driven by fashion newness.

As part of Anthropologie's ongoing strategy to serve a multigenerational customer across all aspects of her lifestyle, the brand recently marked a major milestone with the launch of their in-house Maeve label as a standalone brand. This launch reflects meaningful progress on the strategic priorities Tricia outlined last August to focus on investment in own-brand development, enhancing selling environments, delivering inspirational creative content, and expanding the customer base across age demographics.

In August, the brand implemented a robust full-funnel marketing strategy, and we are planning to open the brand's first standalone store this fall in Raleigh, North Carolina. So far, the marketing campaign has exceeded our expectations, and we are excited to open our first store.

We believe this evolution of Maeve reinforces Anthropologie's commitment to brand-led growth, lifestyle expansion, and unlocks further opportunity to build on the momentum already underway, while strengthening relevance with high-value customers across generations, and ushering in a new era of customer engagement.

Based on our current plans, we believe the Anthropologie Group could deliver a mid-single-digit positive Retail segment 'comp' in Q3.

Next, let's turn our attention to another impressive performance by the Free People team. They delivered a 14% increase in total revenue and double-digit operating income growth. Their sales growth was driven by a 7% Retail segment 'comp' and a 19% increase in Free People wholesale segment revenues. The positive Retail segment 'comp' was driven by similar 'comps' in both the store and digital channels and positive 'comps' across all major product categories. 'Non-comp' sales grew by over 200%, boosted by the opening of new Free People and FP Movement stores. The brand successfully opened an additional 10 stores in the second quarter, including 5 Free People and 5 FP Movement stores.

The FP Movement brand delivered robust total growth of 30% driven by a 14% Retail segment 'comp' and Wholesale segment sales growth of 52%. The brand continues to make significant progress on our long-term strategic focus to build our performance apparel business. The brand had a strong 360-degree marketing campaign focused on sports bras and bottoms with both categories delivering healthy double-digit 'comps'. The brand saw double-digit 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 mid-single-digit positive 'comp' in Q3.

Free People wholesale revenues increased by 19% during the quarter, driven by sales gains in all channels and geographies. As we move into the back half of the year the wholesale channel faces more difficult year-on-year comparisons versus the prior year. Based on our plans, we believe the wholesale channel could deliver mid-single-digit growth in the third quarter.

Finally, let's touch on the Nuuly business, which delivered another exceptional quarter, achieving its most profitable quarter ever and beating our previous best operating profit rate from last year's second quarter by over 300 basis points. The brand continues to outperform our most optimistic expectations. The 48% growth in average subscribers contributed to a 53% increase in brand revenue and added 4 percentage points of revenue growth to total URBN sales. The strong revenue growth in the second quarter resulted in leverage in almost every expense line item, helping to deliver a record second-quarter operating profit of 9%.

As we scale the Nuuly business, we see further opportunity for growth and are primarily focused on building brand awareness. That is why we're investing in more upper-funnel marketing efforts, most notably our latest campaign which launched in August. This campaign builds on strong momentum from the successful first quarter marketing campaign. While the first quarter campaign focused on broad education around the value of clothing rental, this new campaign speaks specifically to our target audience – it positions Nuuly as the solution to common wardrobe challenges faced by our core demographic, like feeling overwhelmed with clothing options yet still having “nothing to wear.” Our first quarter campaign was instrumental in expanding awareness, with 66% of new subscribers indicating they had never rented clothing before. Our first brand awareness campaign launched last year in the third quarter followed by a first quarter campaign this year, both contributed to significant new customer growth and drove a measurable increase in market awareness. We believe that due to Nuuly's predictable, recurring revenue model, as well as the strong retention profile, we can make thoughtful marketing investments that yield returns over

multiple future quarters. We look forward to continuing to increase brand awareness and drive new subscription adoption now and in future quarters.

To support Nuuly's growth we are expanding our logistics operations in Kansas City, MO, from 600,000 square feet to one million square feet. The brand is currently adding storage capacity in this additional space to hold more rental products. We believe this expansion will be complete by mid-next year. We are also adding new sortation automation in Kansas City to drive a more efficient operation that should be delivered in the back half of next year. These investments will continue to support Nuuly's robust growth, which we believe could provide for further operational leverage.

Nuuly's performance on the top and bottom line continues to strengthen our confidence in the business model. We believe that we are leading the industry, and that there is a very large and growing opportunity in the U.S. for apparel rental. The performance at Nuuly over the past year has fortified our confidence to push the business forward with further investments and expansions. Based on our current plans, we believe Nuuly could deliver healthy double-digit revenue growth in the third quarter.

Now moving on to tariffs. Since our previous call the landscape continues to change as tariff rates have increased for many countries. As of today, and based on new assumptions, we believe the impact for the second half of the year could be approximately 75 basis points to gross margins. Our teams continue to work on mitigation strategies including negotiating better terms with our vendors, diversifying our countries of origin, changing our mode of transportation from Air to Ocean, and strategically adjusting pricing to minimize the impact on our customers. Although tariffs present a temporary challenge to our business, we are confident in our ability to manage through this environment and still achieve approximately 100 basis points of gross margin improvement for the full fiscal year 2026. I want to stress that this plan is based on what we know today.

In summary, it was an exceptional quarter. All brands delivered positive Retail segment sales 'comps', both the Wholesale and Subscription segments drove double-digit revenue growth, and all brands recorded healthy operating income improvement. We could not be prouder of the teams and their amazing execution. I want to take a moment to especially congratulate the Urban Outfitters team for their significant progress in returning the brand to growth and improving profitability. On that note, I will now turn the call over to Sheila Harrington.

## **Sheila Harrington**

Thank you, Frank and good afternoon.

I am very pleased to report that Global Urban Outfitters delivered 5% revenue growth this quarter, with a 4% comparable sales increase in our Retail segment.

This represents the second consecutive quarter of positive comparable growth across our global business, highlighted by double-digit ‘comp’ growth in Europe and positive ‘comp’ growth in North America. Notably, this quarter also saw year-over-year double-digit growth in gross profit and strong improvement in operating income. Based on strong back-to-school sales reads, we believe the brand can achieve mid-single-digit Retail segment comparable sales growth in the second half while continuing to build on its profitability.

I want to congratulate and thank Shea, Emma, Meg, and their teams for delivering these strong results. Their strategic leadership, operational discipline, and consistent focus on the customer, with creativity and passion have been instrumental in driving this change.

Starting with our EU business, we delivered an 11% comparable sales increase in the Retail segment, with strong performance across both channels, led by stores. Over the past five years, Urban Outfitters Europe has achieved a 15% compounded annual growth rate. This quarter’s results were driven by solid growth in both the UK and continental Europe, with strength across both channels in Europe. Emma will share further details on our long-term plans for continued European expansion.

Our positive UO North American business reflects sequential improvement across both channels, with stores delivering positive results and DTC driving strong regular price ‘comps’. It is clear Shea’s strategic growth initiatives, introduced last year, are yielding positive results. We look forward to seeing continued progress in this region.

This momentum across regions, including the acquisition of new customers globally, reduced reliance on promotions, and growth in regular price sales – gives us confidence in the significant growth potential for the brand in both North America and Europe. The strength and positive reception of our proprietary product globally, combined with our ability to tailor products to local consumer preferences, remain key drivers of our success.

We are positioning Urban Outfitters globally to not only recover but to return as a growth brand for URBN. Our teams are well prepared for growth in both regions.

Now, Emma Wisden will share more on the Urban Outfitters EU business and growth opportunities, followed by Shea Jensen, who will speak about the North America business. I will now turn the call over to Emma.

## **Emma Wisden**

Thank you, Sheila, and good afternoon. I’m pleased to report another strong quarter for the Urban Outfitters brand in Europe, with performance coming in ahead of our expectations. Building on the momentum from the first quarter, our EU business delivered double-digit growth in the second quarter across several key categories, supported by stellar product execution, disciplined inventory management and a continued focus on the customer experience.

Women's apparel and accessories were clear standouts, with strong double-digit growth driven by an exceptional bottoms cycle and viral items that resonated with customers. Men's and home also performed well, while our proprietary brands continue to gain market share. Stronger, more localized inventory management lifted conversion both in stores and online and led to a markdown rate close to historical lows.

From a marketing perspective, our strategy of authentic, community-driven activations is paying off. We've seen a significant increase in both reach and engagement, outpacing industry benchmarks. Collaborations with emerging artists and cultural communities are reinforcing our brand's relevance, and our digital campaigns are delivering strong results.

Regionally, the UK remains a highly established business with over a decade of strong customer connection. Our primary focus now is on mainland Europe, where we are still in the early stages of growth but gaining momentum. Germany is our second-largest market with 18 stores and a growing digital business, and we're building momentum quickly in France, Spain, and Italy. Our consistent growth over the past several years gives us confidence to open more stores across both Northern and Southern Europe and continue to expand our marketing efforts. All of this has been possible because of the strength of our leadership team. Their stability and experience have been crucial to delivering consistent divisional growth year after year.

Looking ahead, our plan is not just about near-term wins. It's a long-term strategy that we believe in – one that is delivering results today and setting us up for future success.

I will not turn the call over to Shea to speak to the North American business, Shea.

## **Shea Jensen**

Thank you, Emma, and good afternoon. This time last year, we laid out our strategy to recover the North American business. Today, I'm happy to report on the significant progress we've made. We are not only executing the plan we outlined, but we're also building incredible momentum, and I'm excited to share the details with you.

Over the past year our team has passionately focused on our customer. We have evolved our product assortment to appeal to a broader target audience, built and applied new marketing strategies to acquire more customers, and adapted our channels to offer a more relevant experience. We are also operating with greater discipline, especially in inventory management and expense control.

Because of these efforts, our business continues to stabilize. We delivered a strong single digit 'comp' in the month of July, with growth in both channels, and a positive 'comp' for the second quarter. With inventory more aligned to sales, and disciplined expense management, we made incredible progress on our bottom line. We reduced markdowns by hundreds of basis points and leveraged almost all areas of expense, considerably reducing our loss compared to last year's second quarter and year-to-date.

From a product perspective, we continue to apply customer insights and research to evolve our assortment, aiming to appeal to a broader range of our target customers. Our strategy is anchored in denim and lounge, where our customers told us we were winning with, great fit, exceptional comfort, and value. We have deliberately invested in and grown these businesses, with our foundation built in our two hero own brands: BDG denim, and Out from Under lounge & athleisure. These brands have grown by more than 30% year to date and now represent a considerable portion of our overall women's apparel business.

As a lifestyle retailer, we recognized the opportunity to differentiate ourselves in the market by amplifying our accessories, novelties, and gifting categories. These categories offer our customers moments of discovery, experience and price accessibility, uniquely positioning Urban Outfitters as a destination. They drive trips and build engagement. Over the past year, these categories have grown exponentially and delivered some of the most exciting and exclusive products in our offer, from fun collaborations to limited-edition items.

In addition to our category distortions and growth, we have recalibrated our pricing architecture. We now have a better balance of opening, mid and better price points, with the goal of offering the best price to value combination on every item we sell. Opening price points now represent approximately 15% of our total assortment, and the customer continues to respond to these products. We have also broadened the range of occasions and categories we serve and offer to ensure our assortment is more relevant to our target customer. Our assortment has evolved to include occasions such as gameday and sorority rush, and we have broadened our size range.

Overall, our women's business is healthy, driving strong 'comps', and we are confident that our focus on offering relevant product at the right price and on time for the occasions she attends is a winning recipe.

From a marketing perspective, we are extremely excited about the progress the team is making. Second-quarter new customer growth was up 17%, with an increasing number of these customers aligning with our target demographic. Our team has been working to engage these new customers, to drive brand loyalty and repeat trips with a reactivation rate in the quarter up double digits. These new customers are shopping full price, spending more than prior cohorts, and shopping more frequently.

Our marketing progress reflects our team's clear strategy: to engage customers authentically not just in more places, but in the right places, on the right platforms, and in more intentional and coordinated ways across creative, brand and performance media. In addition to acquiring and activating new customers, we saw increased brand affinity as our unaided brand awareness grew in the quarter. More young customers are being welcomed into the brand through the team's compelling creative, culturally relevant conversation, and exciting collaborations with brands our customers know and love.

We're also excited about the progress we've made in adapting our selling experiences to be more relevant for our customers. We know our stores are a valuable asset, and a place our customers love to shop. In our stores, we have evolved our selling model, repositioning staff to reflect a more welcoming environment. We've also updated our in-store merchandising to support our new

product strategies, allowing for ease of shopping while still offering the inspirational styling Urban Outfitters is known for. On our website, our new creative takes center stage and reflects the occasions our customers shop for and attend. In both channels, our Net Promoter Scores are up meaningfully, indicating customers are pleased with our efforts.

While much progress has been made, we recognize this is a journey, and we have more work to do. The Back-to-School season is underway, and our Q2 strength continues. Our college stores are a buzz, welcoming students back to campus, and the spirit of gameday, reconnecting, and meeting new friends is in the air. Looking ahead, we are excited about the work underway to rebuild our men's apparel business, the opening this fall of a remodeled store, featuring a newly designed store environment, and the continuation of our current strategies. With solid momentum, continued sequential improvement in our topline sales, and disciplined control of expenses and inventory, we believe we will continue to deliver progress on our path to profitability.

Finally, I would like to congratulate and thank our team on the results they have delivered. The planning, collaboration, and commitment they have brought to the brand has been incredible, and I am grateful. I especially want to thank and recognize our leadership team who I have the opportunity to work with day in and out. I know I speak on their behalf when I say we feel optimistic and that the best is yet to come. I will now turn the call over to Melanie.

### **Melanie Marein-Efron**

Thanks, Shea, and good afternoon, everyone.

Let me walk you through how we're thinking about our third quarter financial performance.

We are excited to announce that we are off to a solid start this quarter. Based in part on our strong 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, driven by mid-single-digit positive Retail segment 'comps' at Anthropologie, Free People brands and the Urban Outfitters brand. 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 second half growing by approximately 50 bps versus last year. Within the second half, third quarter gross profit margins could be flat versus last year as lower initial product margins from increased tariffs offset improvements in occupancy leverage and lower product markdowns. Fourth quarter gross profit margins could increase by approximately 75-100 basis points as lower product markdowns, particularly at the Urban Outfitters brand, offset lower initial product margins from increased tariffs. Our current assumptions on tariffs are based on the announced tariff rates as of August 27<sup>th</sup> which include 50% tariff rate on goods from India.

Turning to 'SG&A', for the second half of the year we expect expenses to grow approximately in line with sales based on current sales performance and plans. The planned growth in '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. For the third quarter, our brands are planning outsized marketing investments driven by brand campaigns at the Nuuly and Anthropologie brands along with a pre-holiday push to drive customer acquisition ahead of the fourth quarter holiday season. As a result, we believe marketing expenses could deleverage in the third quarter while leveraging in the fourth quarter. 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 23.7% for third quarter and 23% for the full year.

Now, onto inventory. We ended Q2 with slightly elevated inventory levels as we intentionally brought in product early to reduce the impact of announced tariff increases. In Q3, we expect inventory could grow at a rate similar to third quarter sales as our teams continue to focus on increasing our product turns.

For FY26, capital expenditures are planned at approximately \$270 million. The FY26 capital project spend is broken down as follows: approximately 50% is related to retail store expansion and support, approximately 25% is related to supporting technology and logistics investments and the remaining 25% 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.

What an incredible quarter – each brand has cause to celebrate. Our two larger brands continue to attract more new customers and take additional market share, this while generating mid-teen profitability. As you heard earlier, the Urban brand smashed sales expectations in Europe and broke into positive 'comp' territory in North America due to a very strong Back-to-School season. Both newer brands – FP Movement and Nuuly – drove outstanding double-digit revenue comparisons and posted record profitability. In total, our portfolio of brands is a fantastic collection of consumer favorites, each one successful on its own.

The foundation of this success is a healthy consumer combined with excellent brand execution. During the Quarter, customers remained enthusiastic about fashion newness, and we delivered compelling products and distinctive experiences. Together, this produced a record second quarter performance.

I want to take a moment to recognize and thank the Urban brand teams on both sides of the Atlantic for their results. The turnaround in North America is real, with the brand recording nicely positive ‘comp’ sales during the crucial back-to-school season. Both North America and Europe registered strong growth in new customers and better full-price selling. The Urban Outfitters brand is now clearly ‘trending up’ globally and regaining its mantle as a preferred destination for young adults. Congratulations to both teams.

Looking forward, success for all brands has continued August-to-date and we are planning to deliver high single-digit growth in total sales for Q3. Both consumer demand and our execution remain strong. The only major headwind we currently face is the uncertainty surrounding tariffs rates. We’re confident that the product sourcing diversification URBN adopted post Covid will serve us well as we navigate this lack of clarity. Overall, the future for our brands appears bright, and we believe there are many more record quarters to come.

Finally, my thanks to our entire URBN family – brands and shared services – for producing another outstanding quarter. I want to acknowledge the phenomenal job each of our brand leaders and Meg Hayne have done. I understand the amazing amount of hard work and long hours you and your teams devote to making our brands among the best in retail today. Our results are a testament to your efforts and your talent. Lastly, I also thank our partners around the globe and our shareholders for your ongoing support. That concludes our prepared remarks; we now invite your questions.