

Urban Outfitters

Sales regain momentum after a tough January

Reiterate Rating: BUY | PO: 52.00 USD | Price: 47.18 USD

Weather caused 4Q miss; Reit Buy on strong Anthro/FP

It was a tough January, but sales and margins have rebounded since. We expect continued momentum at the Anthropologie (Anthro) and Free People (FP) brands and see further gross margin improvement opportunities; reiterate Buy. 4Q EPS of \$0.69 missed our/Visible Alpha consensus estimate of \$0.77/\$0.78 on lower sales and gross margin. Winter storms and cold weather across the country hurt sales in January, which made clearing the liable Urban Outfitters (UO) inventory more costly. Trends improved when the weather turned more favorable. 4Q retail comps increased 5%. QTD trends are slightly softer than 4Q but ahead of the 1Q guidance of +3%. We update our estimates but maintain our F25 EPS and raise our PO to \$52 from \$45, 7x F26 EV/EBITDA (was 6x) to reflect peer multiple expansion.

Setting the stage for UO brand turnaround

UO's new brand President Shea Jensen and Chief Creative & Digital Officer Dmitri Siegel are highly focused on reinvigorating the brand in time for the back-to-school timeframe through an improved product offering and strengthened marketing efforts. Management expects gradual comp improvement through the year, with 1Q similar to 4Q (-14% comp) and reaching a flat comp in 4Q. After a difficult January, inventory is now in a better position heading into Spring (comp inv -3%).

Expect continued IMU improvements through F25

GM improved 290bp to 30.2% due to higher IMU from lower transportation costs and flat markdowns. This missed the recent ICR update of >350bp. We model F25 GM +60bp (guidance +50-100bp) driven by better IMU across all brands, but we see potential for upside if UO stabilizes. URBN has made significant progress towards achieving its goal of 500bp of IMU improvement, largely due to reduced transportation costs (lower rates and a shift to ocean), increased proprietary brand penetration, higher container fill rates, purchasing raw material directly from mills, and leveraging fabric across multiple styles.

LSD comps in F25 driven by Anthro/FP

For F25, management expects LSD comps driven by Anthro/FP, and mid-DD growth at Nuuly, offsetting declines at UO. 4Q SG&A deleveraged 60bp (dollars +11%) due to higher marketing expenses and incentive comp; continued investments in marketing along with weak sales at UO will drive further deleverage in F25 (mgmt expects LDD SG&A growth in 1Q, and F25 growth closer to sales growth).

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	1.74	3.24	3.53	4.10	4.61
EPS Change (YoY)	-44.4%	86.2%	9.0%	16.1%	12.4%
Consensus EPS (Bloomberg)			3.55	3.75	NA
DPS	0	0	0	4.00	4.00
Valuation (Jan)					
P/E	27.1x	14.6x	13.4x	11.5x	10.2x
Dividend Yield	0%	0%	0%	8.5%	8.5%
EV / EBITDA*	12.0x	8.1x	7.0x	6.2x	5.8x
Free Cash Flow Yield*	-1.2%	6.7%	7.9%	7.9%	8.8%

* For full definitions of *IQmethod*SM measures, see page 7.

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Timestamp: 28 February 2024 12:01AM EST

28 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	45.00	52.00
2025E Rev (m)	5,482.9	5,590.6
2026E Rev (m)	5,818.7	6,054.1
2027E Rev (m)	NA	6,563.9
2026E EPS	3.85	4.10
2027E EPS	NA	4.61

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Stock Data

Price	47.18 USD
Price Objective	52.00 USD
Date Established	28-Feb-2024
Investment Opinion	C-1-9
52-Week Range	24.73 USD - 47.29 USD
Mkt Val (mn) / Shares Out (mn)	4,615 USD / 97.8
Free Float	73.6%
Average Daily Value (mn)	67.47 USD
BofA Ticker / Exchange	URBN / NAS
Bloomberg / Reuters	URBN US / URBNOQ
ROE (2025E)	14.9%
Net Dbt to Eqty (Jan-2024A)	-22.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

QTD: quarter to date

IMU: initial markup

GM: gross margin

LSD: low single digit

iQprofileSM Urban Outfitters

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	6.0%	10.3%	10.3%	10.9%	11.2%
Return on Equity	9.3%	15.6%	14.9%	15.3%	15.4%
Operating Margin	4.8%	7.6%	7.9%	8.2%	8.2%
Free Cash Flow	(57)	310	364	363	407

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	0.9x	1.7x	1.7x	1.4x	1.4x
Asset Replacement Ratio	1.9x	1.9x	1.6x	1.1x	1.1x
Tax Rate	27.6%	24.7%	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	-21.3%	-22.0%	-31.8%	-35.8%	-40.6%
Interest Cover	43.4x	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	4,795	5,162	5,591	6,054	6,564
% Change	5.4%	7.7%	8.3%	8.3%	8.4%
Gross Profit	1,433	1,733	1,909	2,089	2,265
% Change	-4.1%	21.0%	10.2%	9.4%	8.4%
EBITDA	334	496	575	642	693
% Change	-35.0%	48.4%	15.8%	11.8%	7.9%
Net Interest & Other Income	(5)	12	2	3	4
Net Income (Adjusted)	164	306	333	377	409
% Change	-47.2%	86.2%	9.0%	13.3%	8.6%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	164	306	333	377	409
Depreciation & Amortization	102	102	133	143	152
Change in Working Capital	(347)	(173)	107	2	6
Deferred Taxation Charge	(3)	25	0	0	0
Other Adjustments, Net	226	249	0	0	0
Capital Expenditure	(200)	(200)	(210)	(160)	(160)
Free Cash Flow	-57	310	364	363	407
% Change	NM	NM	17.4%	-0.3%	12.1%
Share / Issue Repurchase	(119)	0	(75)	(200)	(200)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	383	465	754	916	1,123
Trade Receivables	70	67	73	79	85
Other Current Assets	785	750	779	819	861
Property, Plant & Equipment	1,188	1,287	1,363	1,380	1,388
Other Non-Current Assets	1,257	1,542	1,462	1,481	1,502
Total Assets	3,683	4,111	4,430	4,675	4,959
Short-Term Debt	0	0	0	4	4
Other Current Liabilities	890	994	1,056	1,123	1,198
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	115	153	153	153	153
Total Liabilities	1,890	1,999	2,060	2,131	2,207
Total Equity	1,793	2,113	2,370	2,547	2,757
Total Equity & Liabilities	3,683	4,111	4,430	4,679	4,963

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Retailing-Specialty

Company Description

Urban Outfitters is a specialty retailer and wholesaler of unique private and third-party apparel, accessories and homegoods. It has three main concepts, Urban Outfitters, Anthropologie and Free People, as well as Terrain and BHLDN. We estimate that the company's store base is underpenetrated and has ample room to grow for the foreseeable future.

Investment Rationale

Urban is one of the most appealing growth stories in specialty retail, in our opinion. Its three proven concepts each have room for margin expansion and its products are differentiated and compelling. A recovery in sales productivity levels at key brands and improving operating margins provide earnings growth potential.

Stock Data

Average Daily Volume 1,430,065

Quarterly Earnings Estimates

	2024	2025
Q1	0.56A	0.48E
Q2	1.10A	1.20E
Q3	0.88A	1.00E
Q4	0.69A	0.86E

**Exhibit 1: URBN Income Statement**

4Q EPS of \$0.69 missed our/Visible Alpha consensus ests of \$0.77/\$0.78 on lower sales and gross margin.

Income Statement	1Q 23	2Q 23	3Q 23	4Q 23	FY 2023	1Q 24	2Q 24	3Q 24	4Q 24E	FY 2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	FY 2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	FY 2026E	1Q 27E	2Q 27E	3Q 27E	4Q 27E	FY 2027E
	Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan	
Urban Outfitter Stores	357.7	396.4	367.6	425.6	1,547.3	308.7	346.4	324.4	372.6	1,352.1	272.4	321.8	313.5	364.9	1,272.6	279.6	328.6	318.1	377.1	1,303.4	294.5	346.2	328.7	389.8	1,359.2
Anthropologie Stores	419.7	479.2	484.2	602.9	1,985.9	473.6	530.1	549.8	679.5	2,233.1	518.8	587.1	586.1	722.7	2,414.8	545.2	609.5	601.3	744.4	2,500.4	561.5	627.8	619.4	766.8	2,575.4
Free People	245.8	271.4	280.7	306.2	1,104.0	273.7	331.2	331.8	362.3	1,299.0	314.0	407.5	396.7	476.5	1,594.7	376.3	486.4	469.3	566.4	1,898.4	443.9	571.9	548.1	663.8	2,227.6
Nuuly	22.8	28.8	35.3	42.7	129.6	51.5	55.8	65.5	72.2	244.9	57.6	64.2	75.3	83.0	280.1	66.3	73.8	86.6	95.4	322.1	76.2	84.9	99.6	109.7	370.4
Menus & Venus	5.9	7.5	7.7	7.2	28.3	6.1	8.7	9.7	8.8	33.3	5.8	7.4	6.0	9.2	28.3	6.0	7.8	6.3	9.7	29.7	6.3	8.2	6.6	10.1	31.2
Net sales	1,051.9	1,183.4	1,175.3	1,384.6	4,795.2	1,113.7	1,272.2	1,281.2	1,495.3	5,162.3	1,168.6	1,387.9	1,377.7	1,656.3	5,590.6	1,273.3	1,506.1	1,481.7	1,793.0	6,054.1	1,382.5	1,638.9	1,602.4	1,940.1	6,563.9
COGS & occupancy	728.6	808.8	818.3	1,006.8	3,362.6	742.4	816.6	826.8	1,043.5	3,429.3	776.2	884.0	882.2	1,139.4	3,681.6	836.2	955.4	945.0	1,228.9	3,965.5	907.8	1,039.7	1,022.0	1,329.7	4,299.3
Gross profit	323.3	374.6	357.0	377.8	1,432.7	371.2	455.6	454.4	451.8	1,733.0	392.5	504.0	495.5	517.0	1,909.0	437.2	550.6	536.6	564.1	2,088.6	474.7	599.2	580.3	610.4	2,264.6
SG&A expense	277.1	288.7	299.7	335.1	1,200.6	299.8	323.5	345.4	370.4	1,339.2	332.8	352.9	371.5	410.4	1,467.5	362.6	383.0	399.5	444.2	1,589.3	393.7	416.7	432.0	480.7	1,723.2
Income from operations	46.2	85.8	57.3	42.7	232.1	71.4	132.1	109.0	81.3	393.8	59.6	151.1	124.1	106.6	441.4	74.5	167.7	137.1	119.9	499.3	80.9	182.5	148.3	129.8	541.5
Other income/ (expense)	-2.0	-2.3	-5.0	3.9	(5.3)	1.0	3.4	0.7	6.7	11.8	0.6	0.4	0.7	0.7	2.4	0.9	0.6	1.0	0.9	3.5	1.1	0.8	1.2	1.2	4.3
Income before income taxes	44.2	83.6	52.3	46.6	226.7	72.4	135.5	109.7	88.0	405.6	60.2	151.5	124.8	107.4	443.8	75.5	168.3	138.1	120.9	502.7	82.1	183.3	149.5	130.9	545.8
Income tax expense	12.7	24.1	15.1	10.8	62.7	19.6	31.5	26.7	22.3	100.1	15.1	37.9	31.2	26.8	111.0	18.9	42.1	34.5	30.2	125.7	20.5	45.8	37.4	32.7	136.4
Tax rate	28.7%	28.8%	28.8%	23.2%	27.6%	27.1%	23.3%	24.3%	25.4%	24.7%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net income	31.5	59.5	37.2	35.8	164.1	52.8	104.0	83.0	65.7	305.5	45.2	113.6	93.6	80.5	332.9	56.6	126.2	103.6	90.6	377.1	61.6	137.5	112.1	98.2	409.3
Earnings per share	\$0.33	\$0.64	\$0.40	\$0.38	\$1.74	\$0.56	\$1.10	\$0.88	\$0.69	\$3.24	\$0.48	\$1.20	\$1.00	\$0.86	\$3.53	\$0.61	\$1.37	\$1.13	\$1.00	\$4.10	\$0.68	\$1.54	\$1.27	\$1.12	\$4.61
Basic shares outstanding	95.5	93.0	92.2	92.2	93.2	92.5	92.7	92.8	92.8	92.7	92.8	92.3	92.0	91.8	92.2	91.0	90.2	89.5	88.7	89.9	88.0	87.2	86.4	85.7	86.8
Diluted shares outstanding	96.3	93.6	93.0	93.6	94.2	93.8	94.2	94.4	94.8	94.3	94.8	94.3	94.0	93.8	94.2	93.0	92.2	91.5	90.7	91.9	90.0	89.2	88.4	87.7	88.8
Margins																									
Gross profit margin	30.7%	31.7%	30.4%	27.3%	29.9%	33.3%	35.8%	35.5%	30.2%	33.6%	33.6%	36.3%	36.0%	31.2%	34.1%	34.3%	36.6%	36.2%	31.5%	34.5%	34.3%	36.6%	36.2%	31.5%	34.5%
bp change y/y	(168)	(595)	(416)	(29)	(297)	260	416	509	293	369	25	50	50	100	58	75	25	25	25	35	0	0	0	0	0
GM vs. 2020	(39)	(117)	(214)	(250)	(161)	221	299	295	42	208															
SG&A expense	26.3%	24.4%	25.5%	24.2%	25.0%	26.9%	25.4%	27.0%	24.8%	25.9%	28.5%	25.4%	27.0%	24.8%	26.3%	28.5%	25.4%	27.0%	24.8%	26.3%	28.5%	25.4%	27.0%	24.8%	26.3%
bp change y/y	185	113	121	63	118	59	103	146	57	90	156	0	(0)	(0)	31	0	0	0	(0)	0	0	0	(0)	0	0
% change y/y	22.0%	7.2%	9.1%	6.7%	10.6%	8.2%	12.0%	15.2%	10.6%	11.5%	11.0%	9.1%	7.5%	10.8%	9.6%	9.0%	8.5%	7.5%	8.3%	8.3%	8.6%	8.8%	8.1%	8.2%	8.4%
SG&A vs 2020	21.0%	21.4%	21.9%	19.1%	20.8%	30.9%	36.0%	40.5%	31.7%																
Operating income	4.4%	7.3%	4.9%	3.1%	4.8%	6.4%	10.4%	8.5%	5.4%	7.6%	5.1%	10.9%	9.0%	6.4%	7.9%	5.9%	11.1%	9.3%	6.7%	8.2%	5.9%	11.1%	9.3%	6.7%	8.2%
bp change y/y	(353)	(707)	(537)	(92)	(414)	201	313	363	235	279	(131)	50	50	100	27	75	25	25	25	35	(0)	(0)	0	(0)	0
Y/Y Growth																									
Net sales	13.4%	2.2%	3.9%	3.9%	5.4%	5.9%	7.5%	9.0%	8.0%	7.7%	4.9%	9.1%	7.5%	10.8%	8.3%	9.0%	8.5%	7.5%	8.3%	8.3%	8.6%	8.8%	8.1%	8.2%	8.4%
SG&A	22.0%	7.2%	9.1%	6.7%	10.6%	8.2%	12.0%	15.2%	10.6%	11.5%	11.0%	9.1%	7.5%	10.8%	9.6%	9.0%	8.5%	7.5%	8.3%	8.3%	8.6%	8.8%	8.1%	8.2%	8.4%
EBIT	-37.1%	-48.3%	-50.5%	-19.9%	-43.2%	54.4%	53.9%	90.1%	90.4%	69.7%	-16.4%	14.4%	13.9%	31.1%	12.1%	25.0%	11.0%	10.5%	12.5%	13.1%	8.6%	8.8%	8.1%	8.2%	8.5%
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings per share	39.3%	50.3%	55.2%	-7.7%	44.3%	72.0%	73.8%	119.6%	81.0%	85.9%	15.4%	9.1%	13.2%	23.9%	9.1%	27.8%	13.6%	13.8%	16.4%	16.2%	12.4%	12.6%	12.0%	12.1%	12.3%

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: URBN Balance Sheet

Winter storms and cold weather across the country hurt sales in January, which made clearing the liable Urban Outfitters (OU) inventory more costly.

Balance Sheet	1Q 23	2Q 23	3Q 23	4Q 23	FY 2023	1Q 24	2Q 24	3Q 24	4Q 24E	FY 2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	FY 2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	FY 2026E	1Q 27E	2Q 27E	3Q 27E	4Q 27E	FY 2027E
ASSETS																									
Cash and cash equivalents	71.6	91.7	147.4	201.3	201.3	171.7	224.7	206.2	178.3	178.3	36.4	289.8	283.0	467.0	467.0	207.7	482.6	464.2	629.7	629.7	356.3	662.5	657.2	836.3	836.3
Marketable securities	187.6	160.0	146.4	181.4	181.4	209.8	250.8	249.2	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7	286.7
Cash and marketable securities	259.2	251.7	293.8	382.6	382.6	381.4	475.6	455.4	465.1	465.1	323.1	576.5	569.8	753.8	753.8	494.4	769.3	751.0	916.4	916.4	643.0	949.3	943.9	1,123.0	1,123.0
Accounts receivable	97.1	97.4	81.4	70.3	70.3	105.6	79.1	77.4	67.0	67.0	113.4	85.3	83.2	72.6	72.6	123.8	93.0	90.7	78.6	78.6	134.0	100.7	98.3	85.2	85.2
Inventories	630.0	697.5	743.6	587.5	587.5	590.3	586.5	721.0	550.2	550.2	588.9	588.1	724.0	548.9	548.9	607.2	601.7	742.6	569.7	569.7	630.1	624.4	770.5	591.1	591.1
Prepaid expenses, Deferred Taxes and other	221.9	220.9	226.3	197.2	197.2	223.9	224.3	235.2	200.2	200.2	240.5	250.7	259.0	229.9	229.9	262.5	273.3	282.3	249.0	249.0	284.1	296.0	306.1	270.0	270.0
Total current assets	1,208.1	1,267.4	1,345.1	1,237.7	1,237.7	1,301.2	1,365.5	1,489.1	1,282.5	1,282.5	1,265.9	1,500.6	1,636.0	1,605.2	1,605.2	1,487.9	1,737.3	1,866.6	1,813.7	1,813.7	1,691.2	1,970.4	2,118.9	2,069.3	2,069.3
Property and equipment, net	1,149.8	1,150.2	1,175.1	1,187.7	1,187.7	1,201.5	1,222.3	1,272.7	1,286.5	1,286.5	1,318.9	1,343.2	1,353.2	1,363.1	1,363.1	1,352.6	1,364.7	1,372.5	1,379.9	1,379.9	1,368.8	1,378.4	1,383.6	1,388.3	1,388.3
Operating lease right of use assets	967.6	927.7	927.1	959.4	959.4	921.9	961.5	933.9	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4	920.4
Marketable securities	179.5	152.5	95.2	102.8	102.8	86.2	122.4	132.9	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2	314.2
Deferred income taxes and other assets	137.3	155.5	177.6	195.2	195.2	281.9	298.3	281.2	307.6	307.6	302.8	176.5	203.3	227.6	227.6	330.5	192.4	221.6	246.4	246.4	357.7	208.4	240.3	267.2	267.2
TOTAL ASSETS	3,642.3	3,653.4	3,720.1	3,682.9	3,682.9	3,792.7	3,969.9	4,109.7	4,111.2	4,111.2	4,122.1	4,254.9	4,427.2	4,430.4	4,430.4	4,405.6	4,529.0	4,695.3	4,674.6	4,674.6	4,652.2	4,791.7	4,977.4	4,959.4	4,959.4
Liabilities and Equity																									
Accounts payable	296.7	347.8	326.5	257.6	257.6	263.6	270.5	319.1	253.3	253.3	270.3	282.2	337.3	272.0	272.0	292.1	304.7	364.6	293.0	293.0	315.1	329.4	394.9	317.6	317.6
Current portion of op. lease liabilities	227.5	222.4	224.4	232.7	232.7	233.1	227.7	223.8	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6	226.6
Accrued expenses and other current liabilities	395.9	396.7	457.5	400.1	400.1	431.0	459.3	506.0	514.2	514.2	463.0	495.3	543.9	556.9	556.9	505.4	539.9	592.8	603.0	603.0	547.0	584.8	642.8	653.8	653.8
Total current liabilities	920.2	966.9	1,008.4	890.4	890.4	927.7	957.5	1,048.9	994.2	994.2	960.0	1,004.1	1,107.8	1,055.5	1,055.5	1,024.1	1,071.3	1,184.0	1,122.6	1,122.6	1,088.7	1,140.8	1,264.3	1,198.1	1,198.1
Long-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current portion of op. lease liabilities	913.4	868.7	861.0	884.7	884.7	845.6	882.8	857.8	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9	851.9
Deferred rent	112.9	110.7	112.2	115.2	115.2	168.7	162.2	156.4	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6	152.6
LIABILITIES	1,946.4	1,946.2	1,981.7	1,890.2	1,890.2	1,942.0	2,002.5	2,063.1	1,998.7	1,998.7	1,964.4	2,008.6	2,112.3	2,060.0	2,060.0	2,028.6	2,075.8	2,188.4	2,127.1	2,127.1	2,093.2	2,145.3	2,268.8	2,202.6	2,202.6
Stockholders' Equity	1,695.9	1,707.2	1,738.4	1,792.7	1,792.7	1,850.7	1,967.4	2,046.6	2,112.5	2,112.5	2,157.7	2,246.3	2,314.9	2,370.4	2,370.4	2,377.0	2,453.3	2,506.8	2,547.5	2,547.5	2,559.0	2,646.5	2,708.6	2,756.8	2,756.8
TOTAL LIABILITIES AND EQUITY	3,642.3	3,653.4	3,720.1	3,682.9	3,682.9	3,792.7	3,969.9	4,109.7	4,111.2	4,111.2	4,122.2	4,254.9	4,427.2	4,430.4	4,430.4	4,405.6	4,529.0	4,695.3	4,674.6	4,674.6	4,652.2	4,791.7	4,977.4	4,959.4	4,959.4

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH



**Exhibit 3: URBN Cash Flow Statement**

We maintain our F25 EPS and raise our PO to \$52, 7x F26 EV/EBITDA (was 6x) to reflect peer multiple expansion.

Cash Flow Statement	1Q 23	2Q 23	3Q 23	4Q 23	FY 2023	1Q 24	2Q 24	3Q 24	4Q 24E	FY 2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	FY 2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	FY 2026E	1Q 27E	2Q 27E	3Q 27E	4Q 27E	FY 2027E
<u>Cash flow from operating :</u>																									
Net income	31.5	59.5	37.2	31.5	159.7	52.8	104.1	83.0	47.8	287.7	45.2	113.6	93.6	80.5	332.9	56.6	126.2	103.6	90.6	377.1	61.6	137.5	112.1	98.2	409.3
Depreciation and amortization	26.7	25.7	25.1	24.8	102.3	23.9	23.6	27.8	27.2	102.5	47.6	25.7	29.9	30.1	133.4	50.5	27.9	32.2	32.6	143.2	51.1	30.4	34.8	35.3	151.6
ROU asset amortization	48.0	46.8	48.2	50.8	193.9	50.9	50.4	50.1	50.9	202.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(69.4)	(3.7)	79.5	6.4	(56.2)	(63.8)	(22.8)	161.2	18.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital changes	(200.4)	32.2	(33.2)	(146.0)	(347.4)	(49.5)	50.9	(80.1)	(94.1)	(172.7)	(154.7)	189.0	(65.2)	138.3	107.4	(276.4)	210.8	(64.1)	132.2	2.4	(296.1)	228.4	(62.3)	135.6	5.7
Cash flow from operations	(79.6)	47.9	25.5	148.9	142.7	36.3	175.0	69.0	229.2	509.4	(61.9)	328.4	58.3	249.0	573.7	(169.3)	364.9	71.6	255.5	522.6	(183.4)	396.3	84.6	269.1	566.6
<u>Cash flow from investing :</u>																									
Capital expenditures	(73.7)	(31.9)	(37.8)	(56.1)	(199.5)	(32.9)	(45.6)	(72.5)	(48.6)	(199.6)	(80.0)	(50.0)	(40.0)	(40.0)	(210.0)	(40.0)	(40.0)	(40.0)	(40.0)	(160.0)	(40.0)	(40.0)	(40.0)	(40.0)	(160.0)
Purchases of marketable securities	(18.7)	(4.3)	1.0	(87.1)	(109.1)	(74.1)	(155.3)	(106.1)	(313.9)	(649.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Sales/maturities of marketable securities</u>	<u>106.0</u>	<u>58.3</u>	<u>66.4</u>	<u>45.9</u>	<u>276.7</u>	<u>49.5</u>	<u>80.5</u>	<u>92.9</u>	<u>104.5</u>	<u>327.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash flow from investing	13.6	22.1	29.6	(97.3)	(32.0)	(57.5)	(120.5)	(85.7)	(258.0)	(521.6)	(80.0)	(50.0)	(40.0)	(40.0)	(210.0)	(40.0)	(40.0)	(40.0)	(40.0)	(160.0)	(40.0)	(40.0)	(40.0)	(40.0)	(160.0)
<u>Cash flows from financing :</u>																									
Exercise of stock options	0.0	0.4	0.0	0.0	0.4	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess tax benefits from SBC	(6.6)	(0.0)	(0.0)	6.7	0.0	(7.9)	(0.3)	(0.2)	(0.1)	(8.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock	(62.1)	(50.0)	0.0	0.0	(112.0)	0.0	0.0	0.0	0.0	0.0	0.0	(25.0)	(25.0)	(25.0)	(75.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Issuance of common shares	0.0	0.0	0.0	(6.8)	(6.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
tax credit investment liability payments	0.0	0.0	0.0	0.0	0.0	(0.5)	(1.3)	(1.3)	(1.3)	(4.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Borrowings</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash flows from financing	(68.7)	(49.6)	(0.0)	(0.1)	(118.4)	(8.3)	(1.0)	(1.5)	(1.4)	(7.8)	0.0	(25.0)	(25.0)	(25.0)	(75.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Effect of exchange rate changes on cash	(0.3)	(0.3)	0.7	2.3	2.4	(0.0)	(0.4)	(0.4)	2.2	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash	(134.9)	20.0	55.8	53.8	(5.3)	(29.6)	53.1	(18.5)	(27.9)	(18.6)	(141.9)	253.4	(6.7)	184.0	288.7	(259.3)	274.9	(18.4)	165.5	162.6	(273.4)	306.3	(5.4)	179.1	206.6
Beginning cash balance	206.6	71.6	91.7	147.4	206.6	201.3	171.7	224.7	206.2	201.3	178.3	36.4	289.8	283.0	178.3	467.0	207.7	482.6	464.2	467.0	629.7	356.3	662.5	657.2	629.7
Ending cash balance	71.6	91.7	147.4	201.3	201.3	171.7	224.7	206.2	178.3	178.3	36.4	289.8	283.0	467.0	467.0	207.7	482.6	464.2	629.7	629.7	356.3	662.5	657.2	836.3	836.3

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Urban Outfitters (URBN)

Our \$52 price objective is based on 7x our F26 (C25) EV/EBITDA estimate. This is in line with the peer average and reflects its strategic positives (small store base, high ecommerce penetration, strong customer loyalty, clean balance sheet).

Downside risks to achieving our price objective are if comps decelerate, preventing gains in productivity and operating margins. The stock could surpass our price objective if comps rebound more quickly than expected in coming quarters.

Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amer Sports Inc	AS	AS US	Lorraine Hutchinson, CFA
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Crocs, Inc.	CROX	CROX US	Christopher Nardone
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EW CZ	EW CZ US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	Oddity Tech	ODD	ODD US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Alice Xiao
NEUTRAL				
	American Eagle	AEO	AEO US	Christopher Nardone
	Birkenstock	BIRK	BIRK US	Lorraine Hutchinson, CFA
	FIGS, Inc.	FIGS	FIGS US	Alice Xiao
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
UNDERPERFORM				
	Aritzia	YATZ	ATZ CN	Alice Xiao
	Aritzia	ATZAF	ATZAF US	Alice Xiao
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Alice Xiao
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA
RSTR				
	Macy's	M	M US	Lorraine Hutchinson, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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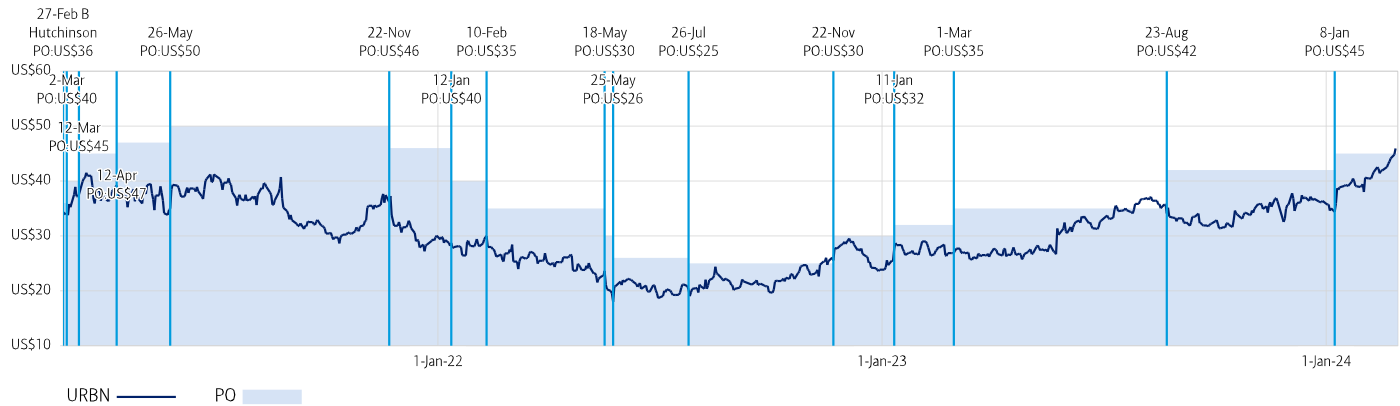
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Disclosures

Important Disclosures

Urban Outfitters (URBN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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